JSC KREDOBANK

SEPARATE ANNUAL REPORT
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CONTENTS

SEPARATE REPORT OF THE MANAGEMENT BOARD (MANAGEMENT REPORT)

APPEAL FROM THE CHAIRMAN OF SUPERVISORY BOARD OF KREDOBANK JSC

Representing the Management Report 2023, I would like, on behalf of the Supervisory Board, to express a sincere gratitude to our Shareholder, Depositors, Clients and Employees for their multi-year involvement and trust, which has been tested within the period of economic growth and at the time of serious crisis challenges as well.

For KREDOBANK JSC the reporting year 2023 has become the final year of the strategy implementation embracing the period of 2021-2023. Due to unexpected deterioration of the operating environment because of the external aggression and the beginning of the full-scale war, the Bank concentrated on the implementation of the key strategic priorities within the available resources. Our most important goal consisted in ensuring business continuity and providing services for our clients even under martial law conditions, paying particular attention to the protection of health and lives of our employees and clients as well. According to the outcomes of 2023, the achievement and results of the Bank confirm the correctness of the chosen development directions.

In the future, in 2024 KREDOBANK JSC intends to continue its activities, constantly being aware of the changing external circumstances and adapting to them. In the conditions of the extremely high risk for the banking sector due to the ongoing conflict, the Supervisory Board and the Management Board are constantly monitoring the situation to respond right away not only to the current events and challenges, but also to the new opportunities related, first of all, to the processes of Ukraine's reconstruction

I also would like to express our unconditional support and admiration for the courage and resistance of Ukraine, its citizens, and the whole business sector at these difficult times. KREDOBANK JSC has always been and remains the crucial and stable element in the banking sector, supporting the economy due to its credit activity. Our continuous activities allow clients to receive high-quality banking services and to be sure of preserving their savings.

APPEAL FROM THE CHAIRMAN OF MANAGEMENT BOARD OF KREDOBANK JSC

The results of KREDOBANK JSC's operation in 2023 confirm the Bank's stability and efficiency even in the face of a full-scale war. The fact that we were able to preserve and grow consumer trust is crucial; the funds of corporate clients increased by about 1.5 times, while the funds of individuals increased by more than 30% YoY. The stability of account administration, local transfers, currency transactions established by law, investment forms and deposits are still significant concerns for our clients, and we fulfil their expectations here. Also in 2023, the Bank actively lent to the Ukrainian economy: the portfolio of loans to legal entities grew by 23%, or almost UAH 2 billion. According to this indicator of portfolio growth, the Bank entered the top five in the Ukrainian market. In 2024, KREDOBANK JSC will continue to work on expanding business lending programs in cooperation with international financial organizations that will contribute to the rebuilding of Ukraine.

At the end of 2023, KREDOBANK JSC developed a new strategy called Safe Bank in Dangerous Times. The new strategy was previously approved by the Bank's Management Board and sent for approval by the sole Shareholder, after which it is expected to be finally approved by the Bank's Supervisory Board. The new strategy takes into account the factors of influence of the Russian aggression and the ongoing war on the operating conditions of the banking sector and KREDOBANK JSC as well as focuses on ensuring the Bank's sustainability and preparing for the rebuilding of Ukraine. At the same time, the significant uncertainty and volatility of the environment inherent in current conditions require KREDOBANK JSC to be flexible in planning and activities to respond quickly and effectively to changes.

Taking this into account, the comprehensive support from the strategic shareholder (the largest Polish bank PKO Bank Polski S.A.), will remain an important factor in determining the long-term stability of KREDOBANK JSC to external challenges and threats.

1. THE NATURE OF BUSINESS

1.1. Description of the external environment, where KREDOBANK JSC operates.

The key factor affecting the Ukrainian economy, banking sector, and external operating conditions of KREDOBANK JSC in 2023 still was the armed aggression of the Russian Federation and the ongoing Russian-Ukrainian war as of the date of preparation of this Report.

The armed aggression of the Russian Federation and the Russian-Ukrainian war have extremely significant negative consequences for the Ukrainian economy, the scale of which continues to increase, and there is a large-scale destruction of key infrastructure in Ukraine. The war led to the physical destruction of production facilities and infrastructure, disruption of supply chains (including blocking exports), increased business costs, and temporary occupation of certain territories. Numerous businesses were forced to suspend operations, regional connections in logistics and transportation were disrupted, and the infrastructure was significantly damaged. As a result of military aggression, tens of thousands of Ukrainian citizens were killed, and millions of citizens became refugees (both abroad and within the country). All this will have long-term consequences for the Ukrainian economy and its banking sector. At the end of 2022, Ukraine's GDP decreased by 29% YoY, while inflation reached 26.6%.

At the beginning of 2023, the decline in real GDP continued, although the rate of decline tended to slow down. Russian missile strikes on the energy infrastructure did not lead to an emergency shutdown of the power grid in winter, which could have disastrous consequences for the economy and social sphere. The revival of economic activity in these conditions and the low statistical basis of comparison led to a slowdown in the GDP decline in the first quarter of 2023 to -10.5%. According to the results of the second quarter of 2023, the real GDP grew by 19.5% YoY due to the low base effect, some improvement in the security situation and resolving some logistics issues. In Q3, the economy was additionally supported by harvesting, budget expenditures on infrastructure rebuilding and defense; the GDP growth was 9.3% YoY. Real GDP growth in 2023 is estimated to be about 5-6% YoY. The consumer inflation slowed rapidly due to increased food supply, weak consumer demand, a moratorium on raising the main part of utility tariffs and a stable situation in the foreign exchange market for most of the year; by the end of December 2023, the inflation slowed down to 5.1% YoY. The fiscal policy is extremely soft: the budget deficit is estimated to be about 27% of GDP and is financed by international financial assistance.

The foreign exchange market in Ukraine operates under restrictions that were introduced under martial law. Most transactions on the interbank market took place with the participation of the National Bank: both for the purchase and sale of foreign currency. Since the beginning of the war, the Hryvnia exchange rate was fixed at the level of February 24, 2022 (29.25 UAH/USD) and it remained unchanged until middle of 2022. On July 21, the NBU adjusted the official exchange rate of the Hryvnia against the US dollar by 25% to 36.57 UAH/USD, taking into account changes in the fundamental features of the Ukrainian economy during the war and the strengthening of the US dollar against other currencies. In Q1-Q3 of 2023, the NBU continued its fixed exchange rate policy, which allowed the National Bank to maintain control over the dynamics of inflation, as well as maintain the smooth operation of the financial system. However, since October 03, 2023, the NBU has switched to a managed exchange rate flexibility regime, which provides that the official exchange rate will be determined on the basis of the exchange rate for operations on the interbank market, and the NBU will control the situation on the interbank foreign exchange market and significantly limit exchange rate fluctuations. Given this, the volatility of the foreign exchange market increased in the Q4, but the NBU remained an active market participant and made significant interventions to meet the demand of market participants for foreign currency; in general, by the end of 2023, the official hryvnia exchange rate decreased by 4% to 38.0 UAH/USD.

Although after the start of a full-scale war, the NBU partially simplified the requirements for the current operation of banks and refused to introduce new regulatory requirements, however, in 2023 it gradually cancelled the introduced exemptions. In particular, the National Bank conducted a resilience assessment of banks, which helped to determine the true state of the sector after the most acute phase of the current economic crisis, which was caused by the war. Thanks to the resilience assessment, in particular forecasting the performance of banks according to the baseline scenario, the NBU planned to assess the viability of banks' business models and determined the real need for capital of the largest banks. According to the results of the resilience assessment of the 20 largest banks, which collectively account for more than 90% of the state's net assets, it was found that most banks in Ukraine have sufficient capital, and the banking system as a whole has a high margin of safety. Increased required capital levels based on the results of the resilience assessment were set for only five banks, two of which already had an adequacy ratio above the required level in December. The results of the assessment also show that banks generally adequately assess the credit risk. Taking into account the results of the assessment, the NBU is expected to introduce the new capital adequacy requirements and resume requirements for the formation of capital buffers in 2024.

Since the beginning of martial law, the NBU has postponed making a decision on changing the discount rate and kept it at 10% per annum, but in June 2022, it was rapidly raised by 15 percentage points up to 25% per annum. The goal of the transition to a tighter monetary policy was to increase the attractiveness of Hryvnia assets, reduce pressure on the foreign exchange market and, as a result, strengthen the ability of the National Bank to ensure exchange rate stability and contain inflationary processes during the war. The NBU also made changes to the design of monetary policy and expanded the corridor of interest rates on monetary transactions with banks in order to create conditions for the revival of the interbank market. A significant slowdown in inflation since the beginning of 2023 has created prerequisites for the beginning of the discount rate reduction cycle: in July, the NBU lowered the discount rate to 22%, and in September - to 20% per annum, in October – to 16%, and in December – to 15%.

According to the NBU's operational data, the sector's loan portfolio decreased by -1% in 2023, in particular, corporate loans decreased by -2% since the beginning of the year, while the retail portfolio grew by 6% due to the activation of card loans issued by several large banks and the launch of the eOselya program (preferential mortgage).

Throughout 2023, the banking system's liquidity grew steadily: a major contributor to the increase in liquidity was the Government's large increase in spending, which was mostly the result of payments to military personnel and international assistance. Against the background of weak credit activity, the banks actively invested additional liquidity in NBU certificates of deposit, foreign bonds and other highly liquid assets. The inflow of customer funds to the banking system in 2023 amounted to 26%, including retail deposits increased by 17%, and corporate deposits – by 41% – mainly due to the funds in UAH. At the same time, the share of term deposits in the structure of individuals' funds began to grow – in particular, due to changes in the NBU's requirements for mandatory reserves and stimulating competition between banks for term deposits.

Significant interest income from highly liquid assets, along with a small formation of reserves, led the banking sector to receive a record profit of UAH 86.5 billion in 2023, which is more than 3 times higher than the sector's profit in 2022. Taking into account the record revenues of the sector and the problems with the state budget deficit, the windfall tax has been introduced in Ukraine: the income tax rate for 2023 will be 50%, and in subsequent years it will be 25%

The Russian-Ukrainian war significantly affects the activities of the banking sector of Ukraine and KREDOBANK JSC, as well. The impact of the war on the banking sector is manifested through the following components:

- Interruptions in the operation of bank branches and ATMs, damage or destruction of banking infrastructure in the areas of military operations;
- Reduction of new lending by banks (except for lending under the 5-7-9 state program and lending by state-owned banks to economy sectors and the enterprises that are critical under martial law);
- Inability of some borrowers to service loans, deterioration of payment discipline due to the termination of enterprises, loss of income sources by individuals, forced change of residence by millions of Ukrainian citizens;
- The need to form additional reserves for non-performing loans and reduce the amount of capital for individual banks.

Today, it is still difficult to accurately assess the final scale of the crisis phenomena caused by active military operations on the territory of Ukraine, since active military operations continue and about 1/5 of the territory of Ukraine remains occupied by the Russian aggressor. Under these circumstances, the credit risk remains essential for the banking sector. The unpredictability of the scenarios for further deployment of military operations does not allow us to determine accurately what proportion of customers will be able to return to normal credit servicing and in what time horizon. The military operations and economic downturn impact on the quality of loans will stretch over time. According to the NBU, the losses of the banking sector due to the war can be estimated at 20% of the loan portfolio. Also among the significant environmental risks for KREDOBANK JSC and the banking sector there are traditionally low level of creditors' rights protection and inefficient work of the judicial system, significant uncertainty regarding the implementation of macroeconomic policy and regulatory changes of the National Bank in crisis conditions.

1.2 Changes of the Officers and Officials Staff.

In 2023, the Supervisory Board of KREDOBANK JSC acted as a collegial body controlling and regulating the activities of the Management Board. From January to 2 May 1, 2023, the Supervisory Board consisted of 7 members. On 3 May, Mr. M. Kraczkowski resigned from the Supervisory Board on the basis of his resignation statement. Therefore, until November, the Supervisory Board had 6 members, and since November it has had

7 members. By the decision of the sole shareholder of KREDOBANK JSC - PKO Bank Polski SA under No. 02/2023 dated 17.11.2023, Mr. B. Artymovych was appointed to the Supervisory Board. Also, on 28.11.2023, the sole Shareholder of the Bank replaced its representative in the Supervisory Board - Mr. J. Matusiak with Mr. R. Zmiejko. Both newly appointed members of the Board will assume their duties as members of the Supervisory Board upon approval by the National Bank of Ukraine.

In 2023, the Management Board of KREDOBANK JSC acted as a collegial executive body consisting of 6 persons. On 27.12.2023, the Supervisory Board has decided to appoint Kirkach Anton Yevhenovych as Deputy Chairman of the Management Board of KREDOBANK JSC. As Mr. A. Kirkach was previously a member of the Management Board, there were no personal changes to the Management Board in 2023.

1.3 Available Structural Divisions.

As of 01.01.2024, the organizational structure of KREDOBANK JSC includes the Central Bank and 68 branches. During the year, the number of the Bank's branches increased by two branches (branches were opened in Lviv and Kyiv), and 3 more branches were modernised and brought up to modern standards. The Bank's network of institutions covers almost all regions of Ukraine, with the exception of the Luhansk and Donetsk regions and the territory of the annexed Autonomous Republic of Crimea. Some branches were temporarily suspended during the reporting period due to safety concerns for customers and employees.

The information on the change in the number of structural divisions of KREDOBANK JSC in the recent years is given in the table below:

Indicators (units)	***2018***	***2019***	***2020***	***2021***	***2022***	***2023***	***Changed in 2023***
Number of branches, incl.	93	86	82	82	66	68	+2
Opened during the reporting period	3	2	4	0	1	2	X
Terminated their activities during the reporting period	12	9	8	0	17	0	X

The Central Bank performs the functions of the Strategic Management Center, which forms the Bank's policy, in particular regarding: the Bank's strategy; financial and operational planning; offering products and services adapted to the needs of customers; introducing new technologies; compliance of the organizational structures; limiting risk and ensuring the Bank's security; organizing internal control; personnel policy and developing internal regulatory documents; and also implements the individual operational tasks.

The branches are separate divisions of the Bank, the operations of which are reflected on the Bank's balance sheet. The branches organize and sell banking products and services, ensuring the proper quality of customer service and the expected efficiency of operations.

The network of own ATMs is the additional sales channels of KREDOBANK JSC, and it includes about 240 units and nearly 90 self-service terminals, as well as the modern systems for remote customer service with the help of Internet and telephone.

1.4 Information on the Acquisition of Shares.

During the reporting period, KREDOBANK JSC did not acquire its own ordinary registered shares to its own account.

1.5 Brief Description of the Current Business Model, Core Products and Services.

KREDOBANK JSC operates as a universal commercial bank that provides services to both individuals and corporate customers as well as small and medium-sized businesses.

The business lines and products that KREDOBANK JSC considers to be the key for generating revenue both in the reporting period are:

1) Retail banking: packages for individuals, term and demand deposits, cash and settlement operations (in the medium term: consumer loans and mortgages);

2) Small and medium-sized businesses (SMEs): lending under government support programmes, lending under EBRD guarantees, lending under loan guarantees of the European Commission and the Polish State Development Bank, packages for SMEs, foreign trade services, attracting free resources (in the medium term: overdrafts, investment loans, leasing);

3) Corporate business: lending under government support programmes, packages for corporate clients, servicing foreign trade, attracting free resources (in the medium term: overdrafts, investment loans, leasing);

4) Treasury operations: investments in domestic government debt instruments, NBU certificates of deposit, foreign securities.

Taking into account the crisis phenomena caused by Russian aggression and active military operations on the territory of Ukraine, as well as a significant increase in credit risk in these conditions, KREDOBANK JSC imposed restrictions on the growth of its loan portfolio in the retail segment. At the same time, this did not lead to a change in market positioning: the Bank provides services to both individuals and corporate clients and small and medium-sized businesses. Even in wartime conditions, the Bank remains an active lender in the corporate segment and SMEs, contributing to the recovery of the Ukrainian economy.

A significant change in the Bank's external operating conditions and activities under martial law is reflected in the structure of the Bank's assets, liabilities and revenues, management (tactical) decisions of its management bodies aimed at maintaining business continuity, a secure balance sheet structure, searching for additional sources of income and limiting expenses in order to maintain high operational efficiency.

The Bank applies different methods of competition, taking into account the specifics of individual product markets and segment groups of the customers: offering customers guarantees of their funds' reliability as a member of the capital group of the largest Polish bank - PKO Bank Polski SA, developing convenient products that meet customer needs at a competitive price and ensuring the appropriate quality of service. The seasonal factor does not significantly affect the activities of KREDOBANK JSC. The Bank's activities are characterized by the same seasonal fluctuations as the entire Ukrainian economy, and there are no individual significant signs of seasonality or cyclical business of KREDOBANK JSC.

Given the presence of strategic foreign capital in KREDOBANK JSC, its main competitors are the other banks with foreign capital that among their strategic priorities have the development of retail business and servicing small and medium-sized businesses.

According to the data published by the NBU, the market share of KREDOBANK JSC (calculated as a percentage of the total indicator of the banking sector of Ukraine) as of January 01, 2024 was 1.3% on loans to legal entities, 1.8% on loans to individuals, 2.3% on deposits of legal entities and entrepreneurs and 1.5% on deposits of individuals.

KREDOBANK JSC operates in 22 regions of Ukraine and the city of Kyiv, and at the same time it is one of the regional leaders in Lviv region and Western Ukraine

In 2021, the management bodies of KREDOBANK JSC decided to develop activities in the related financial services market in the form of a separate legal entity - the Bank's subsidiary - KREDOLEASING LLC, was established, registered and obtained a licence to provide financial services. Taking into account the armed aggression of the Russian Federation and the ongoing military operations on the territory of Ukraine, the company did not carry out active operational activities as of the reporting date.

1.6 Awards Received.

During the reporting period, a high-quality product offer that meets the customers' expectations and needs, the excellent financial condition and reliability, the measures of corporate social responsibility of KREDOBANK JSC were noted by the experts. In 2023, the Bank received the following distinctions and awards:

- 1-st place in the Bank Deposits Reliability Rating according to the Standard-Rating agency;
- 1-st place in the Premium Card Category of the All-Ukrainian annual FinAwards award;
- 1-st place in the Overdrafts category of the annual banking market research 25 Leading Banks of Ukraine from the publication "Financial Club";
- 1-st place in the rating of TOP-18 best cash and settlement service programs for businesses in Ukraine from the Bankchart.com.ua website with the Business Online service package;
- 3-rd place in the Savings Deposit category, 5-th place in the Leasing category, 7-th place in the Loans to Small and Medium-Sized Businesses and Salary Projects categories, 8-th place in the Premium

Banking and Servicing Legal Entities categories of the annual banking market research 25 Leading Banks of Ukraine from the publication "Financial Club";

- 4-th place in the Bank Sustainability Rating from the Minfin financial portal;
- 8-th place in the Ukrainian Banks' Financial Reliability Ranking by the YouControl counterparty monitoring system.

2. THE KREDOBANK JSC GOALS AND THE STRATEGY FOR ACHIEVING THESE GOALS.

The mission of KREDOBANK JSC is to be a reliable financial partner for the customers and to be the attractive employer for the employees. Through the resources specialization and concentration, the Bank strives to achieve and maintain a long-term business stability, thereby ensuring the return on investment of its shareholders.

The long-term vision of KREDOBANK JSC is an efficient and secure bank that provides a value growth for the shareholders.

The values of KREDOBANK JSC are: Partnership, Development, Impact.

During the reporting period, KREDOBANK JSC took steps aimed at implementing the Strategy approved by the Supervisory Board of KREDOBANK JSC at the end of 2020, but taking into account the risks and environmental restrictions under martial law. In accordance with the Strategy, KREDOBANK JSC remains a universal bank that provides high-quality service for the retail customers as well as small and medium-sized businesses, and for the corporate customers with a transparent business and a high creditworthiness.

The Strategy in force in the reporting period provided that KREDOBANK JSC:

- Builds the value based on the long-term relationships with satisfied customers and enthusiastic employees;
- Dynamically and at the same time wisely increases the scale of its business;
- Carries out a profound digital transformation in all aspects of activity;
- Improves the operating model and multi-channel distribution model;
- Uses the potential of synergies due to belonging to the PKO Bank Polski group to create an "ecosystem" of financial services for the Polish-Ukrainian businesses;
- Provides activities diversification and discipline in the field of risk management and cybersecurity, resistance to market shocks.

During the strategy implementation, KREDOBANK JSC paid the priority attention to the quality of banking service, continued to improve digital customer service technologies and develop IT systems, ensuring the implementation of customer expectations. KREDOBANK JSC strives for long-term cooperation and mutual loyalty in relations with the customers and employees. Guided by the essential needs of its customers, KREDOBANK JSC offers them the modern banking products and financial solutions, develops industry competencies and strengthens the competitive advantages in the markets of mortgage and car loans, leasing, SME services and Polish-Ukrainian businesses. Strengthening the Bank's "digitalization" is aimed at increasing the level of self-service and reducing the cost of operations, increasing the efficiency of customer offers while properly protecting the customers' and the Banks' assets.

According to the Strategy in force in the reporting period, the main strategic goals of KREDOBANK JSC were determined as achieving the expected level of return on capital; increase in the total number of customers by all segments; to increase the level of customer satisfaction and their activity; to increase the share in servicing the foreign trade turnover between Ukraine and Poland; to respond faster in the IT-sector to the business needs and increase the reliability of key IT systems; to maintain a moderate appetite for risk; to increase the operational efficiency; to increase the level of employees' involvement and satisfaction. KREDOBANK JSC has implemented a number of strategic projects aimed at carrying out strategic initiatives and achieving approved strategic goals.

At the same time, the new exogenous factors had an impact on operational plans, measures and specific actions to implement the Bank's strategy. The achievement of some targets (financial and non-financial) stipulated by the Strategy is challenged by the sharp change in the external environment and the focus of the Bank's management and staff on ensuring the continuity of operations and customer service with priority attention to protecting the lives and health of employees and customers.

In the reporting period, KREDOBANK JSC completed the development of a new strategy for 2024-2025, the main provisions of which will be made public after its approval by the Bank's Supervisory Board.

KREDOBANK JSC plans to continue its operations as a going concern. The Bank's management is aware of the extremely high risks both for the banking sector as a whole and for the Bank in particular, which are associated with exogenous factors, primarily the armed aggression of the Russian Federation and the ongoing Russian-Ukrainian war. Taking into account the above, the Bank's management conducts constant operational monitoring of its activities and ensures a quick response to current events and changes in the situation. Also, when assessing possible scenarios, the Bank's management assesses possible losses as acceptable from the point of view of the available capital and the need to maintain it at a sufficient level and such that they will not affect the Bank's ability to continue operating on a continuous basis.

3. RESOURCES, RISKS, AND RELATIONSHIPS.

3.1 The Key Financial and Non-Financial Resources and Their Usage.

The capital contributed by the shareholders is the main financial resource of KREDOBANK JSC, which ensures its financial stability and allows to attract the additional financial resources to the market. As of 01.01.2024, the authorized capital of KREDOBANK JSC is UAH 2,249.0 million and its amount was not changed during 2023.

The regulatory capital of KREDOBANK JSC as of 01.01.2024 is UAH 5,394 million and since the beginning of the year, it was increased by UAH 1,667 million or by 45%. This ensures that the value of the regulatory capital adequacy ratio (N2) is kept at 32.1% at the end of the reporting period. Thus, KREDOBANK JSC was well provided with the regulatory capital the reporting period. In the regulatory capital structure, 66% is accounted for the fixed capital, and 34% for the additional capital.

The information on changes in the amount of capital of KREDOBANK JSC in the recent years is given in the table below:

Indexes	***2018***	***2019***	***2020***	***2021***	***2022***	***2023***	***Changed in 2023***
Authorized capital, mln.UAH	2,249.0	2,249.0	2,249.0	2,249.0	2,249.0	2,249.0	-
Regulatory capital, mln.UAH	1,806.2	1,961.2	2,284.9	3,242.1	3,727.0	5,393.6	+1,666.6
Value of the regulatory capital adequacy ratio (N2)	16.9%	15.3%	16.2%	15.0%	21.6%	32.1%	+0.31 p.p.

During the reporting period, the liquidity of KREDOBANK JSC was at a safe level. The value of the bank's mandatory liquidity coverage ratio (LCR) as of 01.01.2024 was 375% in foreign currency and 258% in all currencies, which significantly exceeds the minimum value of 100% set by the NBU. The value of the standard of long-term liquidity NSFR (Net Stable Funding Ratio) was 250%, which significantly exceeds the minimum value established by the NBU.

During 2023, the customer balances in KREDOBANK JSC increased by 41% to UAH 46.5 billion despite the difficult conditions of the banking sector due to the ongoing Russian aggression and war; it reflects the high assessment of the Bank's reliability by customers even in terms of the crisis. The possibility to use credit lines from the shareholder - PKO Bank Polski SA, is of great importance for liquidity management at KREDOBANK JSC.

Still the human resources (Bank staff) and their intellectual capital remained the main non-financial resource of KREDOBANK JSC in the reporting period. The total number of employees of KREDOBANK JSC as of 01.01.2024 amounted to 595 people and decreased by 48 people or 3% compared to the beginning of 2023. The absolute majority of the Bank's employees have higher education (over 91% of their total number), and the average age of employees is 39 years. According to the gender structure, the employees of KREDOBANK JSC are dominated by women, who make up 74% of the total number of employees.

The information on changes in the number of employees of KREDOBANK JSC during the recent years is given in the table below:

Indexes	***2018***	***2019***	***2020***	***2021***	***2022***	***2023***	***Changed in 2023***
Number of employees, persons	2,097	2,117	1,999	1,919	1,643	1,595	-48

KREDOBANK JSC implements a transparent HR policy, according to which the selection of employees, their career growth and material remuneration are based on the assessment of qualifications, professional skills and work results. The HR policy of KREDOBANK JSC is aimed at improving the efficiency of staff work, achieving the target level of customer satisfaction as well as achieving the certain strategic goals.

3.2 Risk Management System, Risk Management Strategy, and Policy.

The risk management is one of the key functions of KREDOBANK's strategic management in the field of banking operations, through which the Bank identifies, evaluates, monitors and controls the level of risk. The main risk management standards in the Bank are determined by the risk management Strategy. The Strategy provides for the continuous analysis of existing and possible future risks, their evaluation, timely decision-making to minimize or avoid them, as well as monitoring compliance with established restrictions, procedures, and processes.

The implementation of the set goals and objectives related to risk management is achieved through the use of a wide range of methods and tools used to manage all identified types of risks in the Bank.

In order to determine the maximum level of risk that the Bank is willing to accept, the Bank's Supervisory Board approved the Risk Appetite Statement, which defines the aggregate level of risk appetite, the types of risks that the Bank will accept or avoid in order to achieve its business goals and the level of risk appetite for each of them (individual level).

The Bank's Risk Management takes place in all structural divisions of the Bank. The organizational structure of the risk management system is based on the responsibilities distribution between the Bank's structural divisions using the three line defense model:

1) The first line is at the level of the Bank's business units, including the trading desk, and support units for the Bank's activities. These units accept the risks and they are responsible for risks, carry out current risk management and report on the current management of those risks;

2) Second line: at the level of risk management unit, the compliance control unit and the prevention and counteraction unit for the legalization (laundering) of proceeds from crime, the financing of terrorism and the financing of the proliferation of weapons of mass destruction (AML/CFT division);

3) Third line: at the level of Internal Audit Division to verify and evaluate the effectiveness of the risk management system.

The subjects of the Bank's risk management system are:

- Supervisory Board of the Bank,
- Risk management committee,
- Audit committee,
- Committee on Appointments and Remuneration,
- Management Board of the Bank,
- Asset, Liability and Tariff Management Committee (ALTMC),
- Small Loan Committee (SLC),
- Loan Committee of the Bank (LCB),
- Bank's Committee on Non-Performing Assets Management (NPAM),
- Committee on Operational Risk and Information Security (CORIS);
- Committee for Cost Control and Tenders (CCCT);
- Change Management Committee (CMC),
- Internal Audit Department,
- Chief Risk Officer and Risk Management Department,
- Chief Compliance Officer and Compliance Control Unit,
- Responsible Officer of the Bank and the AML/CFT division,
- Business units and support units (first line of defense).

The Bank's Supervisory Board is fully responsible for creating a comprehensive, adequate and effective risk management system that the Bank is exposed to in its activities. The Bank's Supervisory Board has established a permanent risk management unit(s) that reports to the Chief Risk Officer (CRO) and a compliance control unit, which reports to the Chief Compliance Officer (CCO) and ensures the independence of these units.

The Bank's Management Board ensures the implementation of tasks, and decisions of the Bank's Supervisory Board on the implementation of the risk management system, including risk management strategy and policy, risk management culture, procedures, methods, and the other measures of effective risk management. The Management Board of KREDOBANK Group is an active participant in the Bank's risk management process, making decisions on operations that have bigger risk based on regular information about the profile and the level of risk, as well as the cumulative level of risk appetite. The aggregate level of risk appetite that the bank intends to accept and retain in order to achieve its business goals is defined as the total amount of the Bank's internal capital required to cover all the significant risks of the Bank.

In order to ensure the effectiveness of the risk management system, the risk management unit(s) performs the risk management functions defined in the Regulations on the Central Bank Organization. The Chief Risk Officer (CRO) heads the Risk Vertical, bears responsibility for the activities of these divisions, and has the right to attend meetings of the Management Board and the Bank's Committees of the Management Board of the Bank, as well as has the right to impose a ban (veto) on the decisions of these bodies if the implementation of those decisions will lead to a violation of the established risk appetite and/or approved risk limits, as well as in the other cases established by the Supervisory Board of the Bank and shall immediately inform the Supervisory Board of the Bank or the Risk Management Committee about these decisions.

The compliance control unit performs the compliance risk management functions defined in the Regulations on the Central Bank Organization in order to ensure the effectiveness of the risk management system. The Chief Compliance Officer (CCO) is responsible for the activities of this division and has the right to attend meetings of the Management Board and Banks' Committees of the Management Board, and other collegial bodies formed by the Bank's Management Board, as well as has the right to impose a ban (veto) on the decisions of these bodies if the implementation of such decisions will lead to a violation of the legislation requirements, the relevant standards of professional associations that apply to the bank, the conflicts of interest, as well as in the other cases established by the Supervisory Board of the Bank and shall immediately inform the Supervisory Board of the Bank and/or the Risk Management Committee about these decisions.

The main purpose of the Bank's credit risk management process is to ensure that lending takes into account all significant risks associated with this activity, including those associated with martial law. The process of credit risk management is focused on timely risks identification, optimal principles and processes development for risk assessment, as well as supervision, control, reporting and application of the preventive measures within the credit activity.

The bank focuses on the introduction of new mechanisms for managing and controlling credit risk, improving credit activities, and improving the management information system in the field of credit risk, the purpose of which is to ensure the appropriate level of profitability and quality of the Bank's loan portfolio. Under martial law, during the reporting period, the Bank restricted active operations and uses a selective approach to lending. The decisions were made at the level not lower than the Bank's credit committees. Taking into account the current situation, the Bank is actively developing tools for reducing and distributing credit risk, in particular loan insurance and portfolio guarantees. The Bank periodically reports to the Management Board and the Supervisory Board of the Bank on the level of credit risk and the results of credit risk stress testing.

The Bank is actively working towards the development and improvement of credit risk assessment software, servicing the credit decision-making process, in order to ensure rapid credit decision-making with a minimum level of credit risk; at the same time, a special attention is also paid to automating monitoring processes, improving the early response system. The Bank constantly monitors changes in legislation and recommendations of the supervisory authorities and, accordingly, implements changes in the internal bank documents.

3.3 Relations with Shareholders and Related Parties.

During the reporting period, the relations with shareholders were carried out in accordance with the requirements of the current legislation, the Charter of KREDOBANK JSC and the regulation on providing shareholders with information and documents on the bank's activities. In the reporting period, KREDOBANK JSC operated as a joint-stock company with a single shareholder.

The shareholder participated in the bank management through the members of the Supervisory Board. The members of the Supervisory Board, as the shareholder's representatives, within the limits of their competence defined by the Charter and the legislation of Ukraine, protected the rights of the shareholders and controlled the activities of the Management Board.

During the reporting period, the bank did not enter into any interested-party agreements. As of 01.01.2024, the value of the maximum credit risk ratio for transactions with related parties (N9) was 0.3%, while the NBU established a maximum permissible level of no more than 25%.

4. INFORMATION ON DEVELOPMENT AND ACTIVITIES RESULTS, PROSPECTS FOR FURTHER DEVELOPMENT.

For KREDOBANK JSC, 2023 was the third year of implementation of the strategy, covering the period of 2021-2023. Taking into account the sharp deterioration of external operating conditions due to Russian military aggression and the beginning of a full-scale Russian-Ukrainian war, the Bank carried out its activities in accordance with the chosen strategic priorities within the limits of available objective capabilities and resources. The absolute priority in the Bank's operation was to ensure the continuity of banking activities and customer service during martial law, with special attention to protecting the life and health of the Bank's employees and the customers. At the same time, the results achieved by the Bank in 2023 confirm the correctness and relevance of the selected strategic development priorities.

In 2023, KREDOBANK JSC was a part of the Banks of Foreign Banking Groups according to the classification of the National Bank of Ukraine. According to the assessment of banks in the implementation of banking supervision and taking into account the size of the Bank in the banking system, the structure and complexity of its operations, the Bank belongs to Category 3 (Universal Large) by the National Bank and has a "Universal" business model of activity.

In 2023, the net assets of KREDOBANK JSC increased by 43% and amounted to UAH 55.9 billion, which ensured the Bank's promotion to the 13-th position in the sector among the 63 banks. At the same time, the Bank's market share by assets increased by 0.25 percentage points in 2023 (by 0.04 percentage points in 2022) and reached 1.91%, which is a record-breaking value for the last 20 years.

The growth in assets was driven primarily due to the increase in the NBU and securities portfolio as a result of changes in the NBU's requirements for banks to form mandatory reserves, as well as the NBU's provision for banks to cover up to 50% of total mandatory reserves with a certain list of benchmark, namely, the domestic government bonds.

Although the size of the Bank's loan portfolio decreased slightly in 2023, this dynamic primarily reflects a significant reduction in the retail loan portfolio due to its gradual repayment while restrictions on new retail lending remain in place. At the same time, the gross loan portfolio of legal entities in 2023 increased by more than 23% YoY, which demonstrates the Bank's contribution to the economic recovery of Ukraine. In 2023, according to the data published by the National Bank of Ukraine, the Bank was among the TOP-5 Ukrainian banks with the largest absolute increase in the loan portfolio for legal entities.

The new loans were provided by the Bank under the state support program for lending. KREDOBANK JSC also actively worked to find partners among international financial organizations for additional credit support to Ukrainian businesses (in particular, SMEs) within the framework of partner programs for financing and providing loan guarantees. In particular, the Bank has already signed agreements with the European Bank for Reconstruction and Development (EBRD), the European Commission and the Polish Development Bank BGK, as well as with the Export Credit Agency (ECA) on cooperation under the portfolio insurance programme for loans issued to fulfil export contracts.

During 2023, KREDOBANK JSC issued UAH 9.1 billion in new loans, in particular, 99% of the total volume of new loans were issued to legal entities, and 1% were issued to individuals. Compared to 2022, the volume of new loans issued increased by 101%, indicating the Bank's active credit support for the Ukrainian economy in the face of Russian aggression and a significant decline in business activity during the war. Adhering to a balanced and conservative approach to asset and liability management, KREDOBANK JSC kept the ratio of loans issued to customer funds raised below 100% during the reporting period.

The pre-tax profit of KREDOBANK JSC in 2023 significantly (13 times) exceeded the previous year. The increase in pre-tax profit was due to an increase in net interest income (NII) by 50% YoY and retention of net fee and commission income (NFCI) at the level of the previous year, while reducing trade income, as well as taking into account a significant reduction in the cost of forming reserves for loan losses. The Bank's net profit for 2023 was UAH 1,212 million, which is more than 8 times higher than the profit at the end of 2022.

The information on the main financial indicators of KREDOBANK JSC in recent years is given in the table below:

Indicators (UAH, mln.)	***2018***	***2019***	***2020***	***2021***	***2022***	***2023***	***Changes***
Assets (total)	16,772	19,136	25,228	33,222	38,971	55,886	16,915
Loans and Advances to Customers	9,625	11,684	13,282	16,804	12,506	12,468	-38

Securities	3,783	3,073	6,187	7,814	9,004	21,939	12,935
Liabilities (total)	14,734	16,550	22,107	29,273	34,933	50,017	15,084
Customer Funds	11,955	13,962	18,320	24,518	33,013	46,464	13,451
Debt Owed to the Other Banks	2,022	1,612	2,839	3,712	972	1,746	774
Capital (total)	2,038	2,586	3,122	3,948	4,038	5,869	1,831
Authorized Capital	2,249	2,249	2,249	2,249	2,249	2,249	-
Net Interest Income	1,302	1,473	1,779	1,987	2,160	3,235	1,075
Net Commission Income	437	465	473	549	515	514	-1
Net Profit	510	538	531	796	142	1,212	1,070

The specified business indicators of the Bank were achieved both by expanding cooperation with the existing customer base, cross-selling additional banking products to the existing customers, and attracting new customers from all key segments. Earlier in 2022, the Bank carried out an inventory of inactive customer accounts, during which almost 150 thousand inactive individual counterparties and about 0.7 thousand legal counterparties were closed, which led to a statistical decrease in the number of individual customers in 2022. However, in 2023, despite operating under martial law, KREDOBANK JSC continued to attract new customers, which demonstrates the high level of reliability of the Bank on the part of citizens and businesses. According to the results of 2023, the number of business entity customers in KREDOBANK JSC amounted to 56 thousand. In the retail segment, the number of customers of KREDOBANK JSC as of 01.01.2024 is 618 thousand people, which is 7% more compared to the beginning of 2023.

The information on changes in the amount of customers of KREDOBANK JSC in recent years is given in the table below:

Indicators (thousand people)	***2018***	***2019***	***2020***	***2021***	***2022***	***2023***	***Changes***
Number of customers, incl.	567	607	645	707	636	674	+38
Legal entities and entrepreneurs	54	54	57	57	58	56	-2
Individuals	514	553	588	650	578	618	+40

By the decision of the Management Board of the National Bank of Ukraine No. 95-rsh dated 08 March 2023, the inclusion of KREDOBANK JSC in the list of systemically important banks (which included 15 banks) was confirmed. The status of a systemically important bank provides for the fulfilment of additional requirements to ensure the safety margin and confirms the important role of KREDOBANK JSC for the banking sector of Ukraine. Also in 2023, KREDOBANK JSC successfully passed the Supervisory Review and Evaluation Process (SREP) conducted by the National Bank of Ukraine.

In 2024, KREDOBANK JSC plans to continue its operations as a going concern, however, the implementation of strategic tasks will continue to be carried out taking into account the new external factors and within the limits of available objective opportunities. At the end of 2023, KREDOBANK JSC developed a new strategy called Safe Bank in Dangerous Times. The new strategy was approved by the Bank's Management Board and sent for approval by the sole Shareholder, after which it is expected to be finally approved by the Bank's Supervisory Board. The new Strategy covers the years 2024-2025, which is the optimal period taking into account both the ongoing war and a significant level of uncertainty, and the period of the current Strategy of PKO Bank Polski as the sole Shareholder of KREDOBANK JSC. The new Strategy also clarifies the strategic idea (vision, mission, corporate values) of KREDOBANK JSC, which better meets the challenges of the external environment and the expectations of stakeholders.

The mission of KREDOBANK JSC is to be a reliable financial partner for our customers and to be the attractive employer for our employees. As a member of the Capital Group of the largest Polish bank, PKO Bank Polski SA, we strive to offer our customers the right financial solutions, implement modern technologies, develop international cooperation and support the economy of Ukraine

The long-term vision of KREDOBANK JSC is an efficient and secure bank that creates the value for customers, employees, and shareholders. The values of KREDOBANK JSC (as a member of the Capital Group of PKO Bank Polski SA) are: partnership, development, impact.

The new strategy takes into account the factors of influence of the Russian aggression and the ongoing war on the operating conditions of the banking sector and KREDOBANK JSC as well as focuses on ensuring the Bank's resilience and preparing for the rebuilding of Ukraine. At the same time, the significant uncertainty and volatility of the environment inherent in current conditions require KREDOBANK JSC to be flexible in planning and activities to respond quickly and effectively to changes. In accordance with the new Strategy, KREDOBANK JSC remains a universal bank providing high-quality service for all customer segments, but will pay priority attention to the corporate segment and the segment of small and medium-sized businesses, taking into account both their growing importance in the Bank's revenue structure and their major contribution to the economic rebuilding of Ukraine.

The main internal risk for implementing the Bank's strategic goals is a possible shortage of resources (labour, technological) for implementing the planned changes, projects, and activities. The most significant external risk is the ongoing Russian-Ukrainian war, the course of which may significantly affect the activities of the banking sector of Ukraine and KREDOBANK JSC, as well as its financial result. The Bank's management will manage the bank taking into account these extraordinary external challenges and will make every possible effort to ensure business continuity, preserve the value of KREDOBANK JSC for the shareholder, as well as to ensure the security of funds entrusted to the Bank, limit risks and protect the interests of its shareholder, customers, and employees.

5. KEY PERFORMANCE INDICATORS.

The amount of return on equity (ROE) that the shareholder has invested in KREDOBANK JSC is a key performance indicator for both the management team and the Shareholder. According to the results of 2023, the ROE indicator according to the chosen calculation methodology was 24.5%, which demonstrates the high efficiency of the Bank's operations, despite operating under martial law, high risks and ongoing terrorist attacks by Russian aggressors on Ukrainian cities and civilian infrastructure. The level of return on assets (ROA) is 2.6%.

Despite still high inflation, which remained above 10% year-on-year during the first half of the year, KREDOBANK JSC restrained the growth of operating expenses, which ensured that the cost-to-income ratio (C/I) remained at 42% for the year. The Bank's net interest margin as of 01.01.2024 was 7.1%, which is close to the value of the net interest margin on average for the banking sector.

Strengthening market positions and growing market share were not KREDOBANK JSC's top priorities during the reporting period, due to the company's operations and those of the banking industry in the midst of a full-scale conflict on Ukrainian territory. The main tasks were to ensure the Bank's smooth operation in the face of war and attacks on the energy infrastructure, and to reduce the risks to life and health of the Bank's employees and customers. At the end of the reporting period, KREDOBANK JSC maintained its market position and, in particular, firmly established itself in the top 15 leading Ukrainian banks in all major business indicators, thanks to a balanced business strategy, high customer confidence, and consideration of the processes involved in cleaning up the banking sector.

Information on changes in the market share of KREDOBANK JSC by key business indicators in recent years is given in the table:

MARKET SHARE OF KREDOBANK JSC

Indexes	***2018***	***2019***	***2020***	***2021***	***2022***	***2023***	***Changed in 2023***
Net assets	1.23%	1.28%	1.38%	1.62%	1.66%	1.91%	+0.25 p. p.
Loans to legal entities	0.64%	0.80%	1.00%	1.11%	1.10%	1.30%	+0.20 p. p.
Loans to individuals	2.21%	2.79%	3.24%	3.44%	3.10%	1.84%	–1,26 p. p.
Funds of legal entities	1.39%	1.36%	1.53%	1.78%	2.19%	2.30%	+0.11 p. p.
Funds of individuals	1.13%	1.19%	1.12%	1.39%	1.30%	1.48%	+0.18 p. p.
Authorized Capital	0.48%	0.48%	0.47%	0.47%	0.55%	0.56%	+0.01 p. p.
Balance sheet capital	1.32%	1.29%	1.48%	1.54%	1.85%	1.98%	+0.13 p. p.

Calculated on the basis of data from the National Bank of Ukraine

Thus, as of 01.01.2024, the Bank's market share in assets was 1.91% and reached the highest value over the last 20 years. The Bank's share of corporate loans increased the most significantly to 1.30% and retail deposits to 1.48%. In the ranking of banks, KREDOBANK JSC moved from 14th to 13th position among 63 Ukrainian banks by total assets. The bank also gained a foothold in the Top 15 leading Ukrainian banks in most major business indicators, in particular, it takes the 14th position on loans to legal entities, the 12th position on deposits of legal entities and the 12th position on retail deposits, the 11th position on loans to individuals (gross) in the sector.

7. INFORMATION ABOUT THE CONCLUSION OF DERIVATIVES OR TRANSACTIONS IN RELATION TO THE DERIVATIVE SECURITIES.

During the reporting period, KREDOBANK JSC did not enter into significant derivatives and did not make any significant transactions in relation to the derivative securities.

8. SUSTAINABLE DEVELOPMENT REPORT (ESG).

The Bank's management board is responsible for ESG risk management, and certain types of risk are managed by the relevant structural divisions of the bank. The Committees, within their terms of reference, may make individual decisions or provide recommendations and opinions that may have an impact on ESG risk management. The Bank's risk management division coordinates the implementation of risk management standards related to limiting the impact of climate factors (ESG) on certain types of risk and, in particular, on the level of risk in the loan portfolio.

This is a new activity for the bank, which is at the level of formation and implementation in accordance with the current legislation and the strategy of the PKO Bank Polski SA group. In 2023, an updated roadmap for improving and developing social and Environmental Management Standards in KREDOBANK JSC for 2023-2025 was approved.

The Bank is working to provide more extensive coverage of the implementation of social and environmental management standards in the Bank's Strategy for 2024-2025.

The Bank is aware of the potential impact of climate risks on its operations and at the same time the impact of its activities on the environment, in particular through the impact of its lending activities on the climate and the impact of climate change risk on its loan portfolio.

The Bank sees business opportunities in financing clients' activities aimed at transforming towards low-emission activities and adapting to climate change or ensuring energy independence. To this end, the bank plans to introduce sustainable financing products. In addition, in cooperation with international financial institutions, it seeks to secure the best possible financing terms for the bank's clients on such projects.

The bank works to include relevant goals related to the implementation of the Social and Environmental Management System in the Bank's Strategy for 2024-2025.

9. CORPORATE GOVERNANCE REPORT.

Part 1. Information about the code of corporate governance used by the entity, and/or the corporate governance practice of the entity, applied in excess of the requirements defined by the law

Information about the code of corporate governance used by the entity

	Decision was made to apply a different code
Name of the governing body that made the decision to approve the application of another code	do not fill in
Date of the decision to approve the application of the other code	
URL with code text	

By the decision of the Shareholder of KREDOBANK JSC No. 01/2019 dated 24.04.2019, which has the status of the minutes of the general meeting of shareholders, the Principles (Code) of Corporate Governance of KREDOBANK Joint Stock Company were approved (URL with the text of the code - https://kredobank.com.ua/about/misiya-ta-cinnosti/vnutrishni-normatyvni-dokumenty). The agenda of the General Meeting of Shareholders in 2024 will include the issue of applying the corporate governance code approved by the National Commission on Securities and Stock Market to KREDOBANK JSC.

Information on the practice of corporate governance of the entity applied beyond the requirements defined by law

	Practice compliance (Yes/No)	**Description of current practices/ justification for rejection**
1. Entity's objectives		
The charter and/or internal documents of the entity define the goal of creating long-term sustainable value in the interests of the entity and its stakeholders	Yes	According to the Strategy of KREDOBANK JSC, which operated in the reporting period, the Bank's mission was defined as: "We are the reliable financial partner for our Clients and an attractive employer for our Employees. Through specialization and concentration of resources, we want to achieve and maintain the long-term stability of our business, thereby ensuring the return on investment of our Shareholders. The Bank's long-term vision is defined as Efficient and Secure Bank Providing Value Growth for Shareholders.
2. Shareholders and Stakeholders		
Shareholders' Rights	No	In accordance with legal requirements
Rights of minority shareholders	No	In accordance with legal requirements, taking into account the presence of a single shareholder
1) General Meeting of Shareholders		
The persons entitled to participate at the general meeting, have the opportunity to receive additional information sufficient to form an informed opinion on all issues that will be	No	KREDOBANK JSC does not apply the provisions of the legislation on convening and holding general meetings, and the powers of the General Meeting are exercised by the sole shareholder alone.

considered during the general meeting at least 30 days before the date of their holding		
Biographical data on candidates for management bodies (including education and professional experience) are disclosed simultaneously with the notification of the general meeting	No	KREDOBANK JSC does not apply the provisions of the legislation on convening and holding general meetings, and the powers of the General Meeting are exercised by the sole shareholder alone.
Persons entitled to participate in the general meeting, have the opportunity to vote, as well as receive materials related to the general meeting, remotely (by means of electronic communication, etc.)	No	KREDOBANK JSC does not apply the provisions of the legislation on convening and holding general meetings, and the powers of the General Meeting are exercised by the sole shareholder alone.
Manager, CFO, the majority of board members (majority of non-executive directors of the board of directors) and external auditor shall participate in the annual general meeting	No	KREDOBANK JSC does not apply the provisions of the legislation on convening and holding general meetings, and the powers of the General Meeting are exercised by the sole shareholder alone.
Persons who have the opportunity to participate in the general meeting have the opportunity to ask oral questions about the issues on the agenda and receive answers to them	No	KREDOBANK JSC does not apply the provisions of the legislation on convening and holding general meetings, and the powers of the General Meeting are exercised by the sole shareholder alone.
Detailed rules of procedure for holding the general meeting are defined by the charter and/or internal documents	No	KREDOBANK JSC does not apply the provisions of the legislation on convening and holding general meetings, and the powers of the General Meeting are exercised by the sole shareholder alone.
Minutes and decisions of the general meeting (including the number of votes cast "for" and "against" each decision), as well as answers to key questions raised during the general meeting, are disclosed within 5 business days from the date of the general meeting	No	KREDOBANK JSC does not apply the provisions of the legislation on convening and holding general meetings, and the powers of the General Meeting are exercised by the sole shareholder alone.
The entity's website address provides all the information that shareholders need to facilitate their participation in the general meeting and inform them about decisions taken during the general meeting	No	KREDOBANK JSC does not apply the provisions of the legislation on convening and holding general meetings, and the powers of the General Meeting are exercised by the shareholder alone. The minutes and decisions of the sole shareholder are available on the Bank's website in the Shareholders and Stakeholders section.
2) Interaction with shareholders		
The board approved and disclosed the policy of interaction with shareholders, which determines the parameters of relations between an entity and its shareholders	No	KREDOBANK JSC is a single-shareholder company.
A department (function) for interaction with investors/shareholders has been established, which responds to investors' requests and promotes shareholders' participation in the management of the entity, as well as provides an opportunity for minority shareholders to convey their views to the board	Yes	KREDOBANK JSC has a division responsible for strategy and corporate governance, which responds to requests from the Bank's sole shareholder

3) Acquisition		
The board has specifically outlined the following guidelines for how it will respond to an acquisition proposal: a) Not to perform actions to counteract the acquisition without a corresponding decision of the general meeting; b) Provide shareholders with a balanced analysis of the disadvantages and advantages of any acquisition offer; c) General meeting makes a final decision on approval or rejection of acquisition proposals	No	KREDOBANK JSC is a single-shareholder company.
4) Other stakeholders		
The policy of interaction with stakeholders, which establishes the parameters of an entity's interaction with its stakeholders, was authorized by the board and made public.	No	
The entity has defined a list of its stakeholders, including those with whom it is necessary to establish direct interaction	No	
The entity discloses a report on aspects of interaction with stakeholders	No	
3. Supervisory Board		
Members of the supervisory board are not members of supervisory boards in more than 3 other legal entities	Yes	
The entity keeps records of attendance at meetings of the supervisory board and its committees	Yes	
The Charter of the entity and/or its internal documents define and explain the obligation of members of the supervisory board to perform their functions in good faith and adhere to the principle of loyalty to the entity	Yes	
The supervisory board and its members are provided with the opportunity to access any information that is necessary for it to effectively perform its duties	Yes	
The supervisory board regularly evaluates the performance of the entity and the executive body in accordance with the entity's goals	Yes	
The Charter of the entity and/or its internal documents define that the supervisory board does not have the right to interfere in the current management of the entity, including in matters that fall within the scope of responsibility of the executive body, except in cases of extraordinary circumstances that are	Yes	

properly determined		
The size and skills of the supervisory board members correspond to the needs of the entity, its size and the degree of complexity of its activities	Yes	
The supervisory board has defined and regularly reviews the qualification requirements for candidates for members of the supervisory board	Yes	
The selection and appointment of members of the supervisory board is based on the professional qualities, achievements, and compliance of candidates with specific criteria, as well as the need for periodic renewal of the composition	Yes	
There is a formalized procedure for checking candidates for members of the supervisory board, which, in particular, includes checking the decency, conflict of interest, competence, skills, and experience of the candidate	Yes	
The selection procedure provides for the possibility of attracting external consultants and/or an open search process	No	KREDOBANK JSC is a member of the Capital Group of PKO Bank Polski SA – the largest bank in Poland and the Central and Eastern Europe (CEE) region, which indicates that it has the ability and competencies to independently search for candidates for members of the supervisory board
The supervisory board develops succession plans for the members of supervisory board and the executive body	No	KREDOBANK JSC is a member of the Capital Group of PKO Bank Polski SA – the largest bank in Poland and the CEE region, which independently decides on the list of candidates for members of the supervisory board
The supervisory board approved a policy on the diversity of the composition of the supervisory board and the executive body	Yes	
Representatives of one of the gender make up at least 40 % of the supervisory board	Yes	The share of representatives of the gender with less representation in the Supervisory Board is 20% of the number of members of the Board who actually perform their duties as of 31.12.2023 and 14% of the total number of the Supervisory Board
Independent members of the supervisory board make up at least half of its total membership	No	In the Supervisory Board of KREDOBANK JSC, independent members make up 43% of the total number of the Supervisory Board, with the minimum level of 1/3 of the total number established by law.

Members of the supervisory board undergo introductory training after their election, which, among other things, covers: a) duties, functions, and areas of responsibility for the members of supervisory board; b) independence, including independence of thinking; c) working procedure of the supervisory board; d) liability issues; e) issues of the entity's strategy; f) entity policies, including ethics, conflicts of interest and prevention of corruption; g) issues of reporting and control systems, including internal and external audits; h) role of supervisory board committees	No	Newly elected members of the Supervisory Board independently familiarize themselves with the content of internal documents provided to them and covering the specified issues
The supervisory board develops a training plan, which defines the issues requiring additional training for its members	No	
Chairman of the supervisory board, elected among independent members	No	
The chairman of the supervisory board is provided with the opportunity to communicate with shareholders, including majority shareholders	Yes	KREDOBANK JSC is a single-shareholder company.
The functions of the chairman of the supervisory board are defined in the internal documents of the entity	Yes	
The position is created and corporate secretary was appointed	Yes	
1) Supervisory board committees		
The Supervisory Board has established committees and approved internal documents regulating their activities	Yes	
The audit committee consists of independent members of the supervisory board who have knowledge of finance, industry experience, and experience in accounting, auditing, risk control, and management	No	The audit committee of the Supervisory Board of KREDOBANK JSC consists of 3 members, two of whom are independent members of the Supervisory Board.
Members of the Audit Committee are not part of other committees of the Supervisory Board	No	At KREDOBANK JSC, the members of the Audit Committee (independent members) are the members of another committee (Nominations and Appointments or Risk Management)
The Appointment Committee consists of independent members of the supervisory board who have knowledge in the field of Human Resource Management and skills in finding professionals to serve on the supervisory board and executive body	No	The Committee on Appointments and Remuneration of the Supervisory Board of KREDOBANK JSC consists of 3 members, two of whom are independent members of the Supervisory Board.

The Remuneration Committee consists of independent members of the supervisory board who have knowledge of the practices of defining remuneration and encouraging effective performance of duties	No	KREDOBANK JSC has established a Committee on Appointments and Remuneration of the Supervisory Board of KREDOBANK JSC, which consists of 3 members, two of whom are independent members of the Supervisory Board.
The majority of the risk committee is made up of independent members	Yes	
4. Executive body38		
The executive body develops an entity's strategy, which is approved by the decision of the Supervisory Board	Yes	
The Supervisory Board defines key performance indicators for the executive body to track progress towards achieving the entity's goals	Yes	
The executive body regularly reports to the Supervisory Board on progress in implementing the entity's strategy	Yes	
The executive body shall inform the chairman of the Supervisory Board of any significant developments that occurred between the meetings of the Supervisory Board	Yes	
5. Board of directors39		
The report of the board of directors shall contain an assessment of its activities, information on the internal structure, procedures used when making decisions by the board of directors, including information on the impact of the board of directors' activities on the financial and economic activities of the entity		It shall not be filled in by the entity with a two-level management structure
The board of directors consists of non-executive directors, most of whom are independent directors		It shall not be filled in by the entity with a two-level management structure
Representatives of one of the gender make up at least 40 % of the board of directors		It shall not be filled in by the entity with a two-level management structure
Position of the head (Chief Executive Director) of the entity and the chairman of the board of directors are separated		It shall not be filled in by the entity with a two-level management structure
The rights and responsibilities of executive directors and non-executive directors, as well as non-executive directors among themselves, are clearly defined in the internal documents of the entity		It shall not be filled in by the entity with a two-level management structure
The board of directors has formed committees on appointments, remuneration, audit, the competence, and procedure of which are determined by internal regulations and the majority of which are non-executive directors		It shall not be filled in by the entity with a two-level management structure

The majority of the appointment, remuneration, and audit committees are made up of independent non-executive directors		It shall not be filled in by the entity with a two-level management structure
6. Remuneration		
The remuneration of the members of executive and board bodies is set by industry market indicators for individuals in this category.	Yes	
The amount of remuneration for the executive body is related to the results of the entity's activities	Yes	The variable component of remuneration for members of the Management Board is related to the Bank's performance
Remuneration of board members (non-executive directors) is fixed and does not depend on the entity's achievement of financial indicators	Yes	
7. Information disclosure and transparency		
The entity has an approved and published policy on disclosure of information, which defines the information that the entity must disclose	No	KREDOBANK JSC is guided by the requirements of the legislation of Ukraine on information disclosure
The board (non-executive directors of the board of directors) supervises the executive body (executive directors of the board of directors) in the preparation of financial statements and ensures preparation of financial statements of the entity in accordance with current legislation and International Financial Reporting Standards	Yes	
The entity's website address contains a separate section dedicated exclusively to corporate governance issues	No	Corporate governance issues are covered in the About Bank section of the website, in particular, in the Mission and Values, Shareholders and Stakeholders, Structure, Bank Reports, Compliance subsections
8. Control system and ethics standards		
The entity has created an internal control system that corresponds to the model of the three lines of defense concept	Yes	
Board (non-executive directors of the board of directors) has the mechanisms of internal control of the entity, having the ability to involve an internal auditor and an external auditor	Yes	
The compliance and risk management function is accountable to the board (non-executive directors of the board of directors)	Yes	
The entity has approved the policy on the following issues: risk management	Yes	

The entity approved the risk appetite statement	Yes	
Board (non-executive directors of the board of directors) reviews the risk management report	Yes	
The entity approved the code of ethics and made it public	Yes	
The entity is provided with the ability to report illegal or unethical behaviour anonymously and safely	Yes	
The entity approved policy on preventing corruption and made it public	Yes	
The entity has approved and published a policy on conflict of interests, which covers the following issues: a) Conflict of interest, prevention, and management of conflicts of interest; b) Transactions with interest; c) insider trading; and d) abuse of official position	Yes	
9. Corporate governance assessment		
The entity has a formalized procedure for the annual self-evaluation of board members	Yes	
Based on the results of the annual self-assessment of board members, an action plan is developed to improve the efficiency of board members and corporate governance practices	No	An action plan for improving the efficiency of members of the Supervisory Board can be developed if necessary and identify shortcomings based on the results of the annual assessment of members of the Supervisory Board (optional).
A comprehensive assessment of the corporate governance system is carried out every three years with the involvement of an independent external expert	No	

Part 2. Information about the general meeting of shareholders (participants) and a general description of decisions taken at such meetings - 3 (3)

Date of the event	28.04.2023
Method of execution	☑ face-to-face voting, venue: Warsaw, Poland ☐ electronic voting ☐ survey (remote)
Subject of convocation41	General meeting was held in accordance with Article 60 of the Law of Ukraine On Joint-Stock Companies
Agenda items and decisions taken:	
Question 1:	**Decision made:** Approve the report of the Supervisory Board of KREDOBANK JSC on its activities in 2022.
Question 2:	**Decision made:** Recognize the activities of the Supervisory Board of KREDOBANK JSC as effective in 2022.
Question 3	**Decision made:** Based on the results of the annual individual assessment of the members of the Supervisory Board of KREDOBANK JSC and the assessment of the collective suitability of the Supervisory Board of KREDOBANK JSC, held in compliance with the policy of assessing the suitability of member candidates and members of the Supervisory Board of KREDOBANK JSC, approved by Decision No. 02/2021 of 22.12.2021, to confirm their compliance with the requirements defined by the legislation of Ukraine and the policy of assessing the suitability of member candidates and members of the Supervisory Board of KREDOBANK JSC.
Question 4	**Decision made:** Approve separate financial statements of KREDOBANK JSC for 2022 as part of: - Management Report, - Annual separate financial statements (prepared in accordance with International Financial Reporting Standards) with a total asset value of UAH 38,970.5 million and net profit in the amount of UAH 142.4 million. - Report of the independent auditor of CROWE UKRAINE AC LLC on these financial statements without comments or additional measures.
Question 5	**Decision made:** Approve Consolidated financial statements of KREDOBANK Group for 2022 as part of: - Management Report, - Annual consolidated financial statements (prepared in accordance with International Financial Reporting Standards) for a year with a total asset value of UAH 38,961.9 million and net profit in the amount of UAH 139.5 million. - Report of the independent auditor of CROWE UKRAINE AC LLC on these financial statements without comments or additional measures.
Question 6	**Decision made:** Establish the following procedure for distributing the profit of KREDOBANK JSC for 2022 in the amount of UAH 142,416,243.09: 6.1. Send a part of the Bank's profit in the amount of UAH 121,226,559.42 to the Bank's reserve fund, to reach the reserve fund of 25% of the Bank's regulatory capital. 6.2. Send a part of the Bank's profit in the amount of UAH 21 189 683,67 to the total reserve for compensation of unforeseen losses.

	Additionally, allocate retained earnings of previous years in the amount of UAH 7,741,814.74 to the general reserve for compensation of unforeseen losses.
Question 7	**Decision made:** Approve the Report on remuneration of members of the Supervisory Board of KREDOBANK JSC for 2022.
Question 8	**Decision made:** Coordinate the conclusion with the members of the Supervisory Board of KREDOBANK JSC the civil law contracts under the following conditions: 8.1. Members of the Supervisory Board shall perform their functions free of charge, except for independent members of the Supervisory Board and Members of the Supervisory Board who do not work in PKO Bank Polski SA or in companies of the Capital Group PKO Bank Polski SA, who are paid monthly remuneration in the amount of PLN 6,966 gross. This reward shall be paid out to: - Citizens of Ukraine and Polish citizens working in Ukraine: in UAH at the exchange rate of the National Bank of Ukraine on the day of payment; - Polish citizens who do not work in Ukraine: in Polish zlotys. 8.2. Authorize Jerzy Jacek, Chairman of Management Board of KREDOBANK JSC (and in case of his absence – Acting Chairman of Management Board of KREDOBANK JSC) to sign additional agreements with members of the Supervisory Board of KREDOBANK JSC who take this decision into account.
Question 9	**Decision made:** From the date of adoption of this decision, paragraph 2 of Decision No. 03/2022 of 12.12.2022 becomes invalid.
URL of the minutes of the general meeting:	https://kredobank.com.ua/public/upload/14fce201fdee65f0482bef8b7baa1af5.PDF
Date of the event	17.11.2023
Method of execution	☑ face-to-face voting, venue: Warsaw, Poland ☐ electronic voting ☐ survey (remote)
Subject of convocation	General meeting was held in accordance with Article 60 of the Law of Ukraine On Joint-Stock Companies
Agenda items and decisions taken:	
Question 1:	**Decision made:** To elect (appoint) Mr. Bohdan Artymovych as a member of the Supervisory Board of KREDOBANK JSC until the date of the Annual General Meeting of shareholders in 2025 from the date of approval by the National Bank of Ukraine.
Question 2:	**Decision made:** The election of a member of the Supervisory Board of Mr. Bohdan Artymovych takes place after the general meeting has assessed his individual suitability and collective suitability of the Supervisory Board, conducted in accordance with the Compliance Policy of Candidate Members and Members of the Supervisory Board of KREDOBANK JSC, approved by the shareholder's Decision No. 02/2021 of December 22, 2021, taking into account the recommendations of KREDOBANK JSC in the field of individual and collective suitability.
Question 3	**Decision made:** Coordinate the conclusion with a member of the Supervisory Board of KREDOBANK JSCMr. Bohdan Artymovychrepresentative of the shareholder) of a civil contract on the following terms: 3.1. A member of the Supervisory Board performs his functions free of charge, as he works at PKO Bank Polski SA.

	3.2. Compensation of expenses related to participation in meetings of the Supervisory Board/Committees of the Supervisory Board shall be carried out in accordance with the Regulations on Remuneration of Members of the Supervisory Board of KREDOBANK JOINT STOCK COMPANY.
Question 4	**Decision made:** Instruct the Chairman of the Management Board of KREDOBANK JSC Mr. Jerzy Jacek Shugaev (and in case of his absence - Acting Chairman of the Management Board) to conclude on behalf of KREDOBANK JSC a civil contract with the elected member of the Supervisory Board of KREDOBANK JSC after receiving the approval of the National Bank of Ukraine, which is referred to in Paragraph 1 of this Decision.
Question 5	**Decision made**: Approve a new version of the Policy for Assessing the Suitability of Candidate Members and Members of the Supervisory Board of KREDOBANK JOINT STOCK COMPANY.
URL of the minutes of the general meeting:	https://kredobank.com.ua/public/upload/d216f8c7ba84d77af9c5aa4f33a47e20.pdf
Date of the event	18.12.2023
Method of execution	☑ face-to-face voting, venue: Warsaw, Poland ☐ electronic voting ☐ survey (remote)
Subject of convocation	General meeting was held in accordance with Article 60 of the Law of Ukraine On Joint-Stock Companies
Agenda items and decisions taken:	
Question 1:	**Decision made:** Approve the new version of the Charter of KREDOBANK JOINT STOCK COMPANY.
Question 2:	**Decision made:** Instruct the Chairman of the Management Board of KREDOBANK JSC Mr. Jerzy Jacek Shugaev (or in case of his absence - Acting Chairman of the Management Board) to sign a new version of the Charter of KREDOBANK JSC and submit it for approval and registration in accordance with the procedure established by the legislation of Ukraine.
Question 3:	**Decision made**: Approve a new version of the Regulations on the Supervisory Board of KREDOBANK JOINT STOCK COMPANY.
Question 4:	**Decision made:** Remuneration for performing the functions of a member of the Supervisory Board of KREDOBANK JSC shall not be paid to a member of the Supervisory Board who, after termination of the employment relationship with PKO Bank Polski SA or the company of the Capital Group PKO Bank Polski SA, receives compensation with regard to the prohibition on competition from PKO Bank Polski SA or the company of the Capital Group PKO Bank Polski SA.
URL of the minutes of the general meeting:	https://kredobank.com.ua/public/upload/825a413acf125750e8650684c8e788d4.PDF

Part 4. Board

Personal composition of the board and its committees

Name of the board member, term of office in the reporting period	Tax ID No.	Unique Register Record No.	Chairman / Deputy of Chairman	Chairman / Member of Board Committee		
				Audit Committee	Risk Management Committee	Committee on Appointments and Remuneration
Rafał Zalewski (20.10.2023-31.12.2023)	-*	-*	X (20.10.2023-31.12.2023)	V	-	V
Slawomir Bukovsky (entire reporting period)	-*	-*	-	-	V	X
Nataliya Chukhray (entire reporting period)	2363915582	19640920-01868		X	-	V
Lev Klyoba (entire reporting period)	1963311612	19531002-00157		V	X	-
Grzegorz Oszast (entire reporting period)	-*	-*		-	V	-
Bohdan Artymovych (in the process of NBU approval)	-*	-*	-	-	-	-
Robert Zmiejko (in the process of NBU approval)	-*	-*	-	-	-	-

* not a citizen of Ukraine

Information on the meetings of the board and a general description of the decisions taken

Number of board meetings in the reporting period:	9
of these, full-time:	9
of these, remote:	85 decisions were made by survey (without holding a meeting)
Description of the board's key decisions:	Approval of the Bank's Financial Plan, Report on the Activities of the Management Board for the Reporting Year, review of periodic reports on the implementation of the financial plan indicators, reports on monitoring the strategy implementation, periodic reports of Risk, Internal Audit, Compliance Departments, financial statements of the Bank, Establishment, and calculation of MbO goals for members of the Management Board and responsible persons, selection of an external auditor to conduct an external assessment of the activities of the Internal Audit Service of the Bank, decisions on the re-election of members of the management board for another term, decisions on the appointment of an employee responsible for Financial Monitoring, approval of internal regulatory documents of the Bank

Information on the meetings of the board committees and a general description of the decisions taken

	Audit Committee	Risk Management Committee	Committee on Appointments and Remuneration
Number of board committees meetings in the reporting period:	7	9	12
of these, full-time:	7	9	12
of these, remote:	3 decisions were made by survey (without holding a meeting)	4 decisions were made by survey (without holding a meeting)	-
Description of the board's committees key decisions:	Review of periodic reports of the Internal Audit Department, review of internal regulatory documents regulating the activities of the Internal Audit Department, setting MbO goals for the director of IAD for the current year, and calculation of the goals' implementation for the previous year	Review of periodic reports of risk, compliance, internal audit departments, review of internal regulatory documents regulating the activities of the risk direction, compliance	Election/re-election of members of the Management Board, the employee responsible for financial monitoring in the Bank, setting and calculating goals for members of the Management Board and responsible persons (except for the Head of the Internal Audit Department), change of remuneration of members of the Management Board and responsible persons, approval of the internal regulatory documents in terms of employment and remuneration
Assessment of the independence of audit entities providing statutory audit services51	The Audit Committee assessed the independence of the audit entity when considering in 2022 the issue of determining the audit entity providing statutory audit services (Minutes No. 06/2022 dated 03.06.2022) and determined that Crowe Ukraine AC LLC meets the qualification requirements/selection criteria established by the Bank and there are no prohibitions and restrictions established by the current legislation of Ukraine		

Part 5. Executive body

Personal composition of the collegial executive body and its committees

Name of the	Tax ID No.	Uniqu	**Chairman/**	**Chairman/member of the executive body Committee**

member of executive body, term of office in the reporting period		e Register Record No.	**deputy chairman of the executive body**	**Credit Committee of the Bank**	**Asset, Liability and Tariff Management Committee**	**Non-performing Asset Management Committee**	**Committee for Cost Control And Tenders**	**Committee on Operational Risk and Information Security**	**Change Management Committee**
Jerzy Jacek Shugaev	2396921497		X		X		X	V	
Wojciech Tarasiuk	2276225514		Y		V	V			V
Adam Patrick Svirsky	2520523098		Y	V	V	X		X	
Artur Cieslar	2617624331		Y				V	V	V
Oleh Noga	2874804517		Y				V	V	X
Anton Kirkach	2961112839		Y		V		V		V

Information on meetings of the collegial executive body held and a general description of the decisions made

1	2
Number of board meetings in the reporting period	30
Of these, full-time:	30
Of these, remote:	1330 decisions were made by survey (without holding a meeting)
Description of key decisions of the management board:	The management board considered all the main issues of the Bank's activities and made decisions on them, in particular: - Draft financial plan of KREDOBANK JSC for 2023-2025; - Reports on the implementation of the parameters of the Financial Plan of KREDOBANK JSC (quarterly); - Compliance risk assessment reports (quarterly); - Business risk and macroeconomic change risk assessment reports (quarterly); - Financial risk assessment report of KREDOBANK JSC (monthly); - Reputation loss risk assessment reports for 2023; - Operational risk assessment reports (quarterly); - Credit risk assessment reports of KREDOBANK JSC (monthly); - Credit risk information (DPD30+/DPD90+) (monthly); - Reports on the implementation of the Distressed Asset Management Strategy and implementation of the operational plan and report on debt settlement of debtors/counterparties (monthly); - Reports on monitoring the implementation of the Strategy of KREDOBANK JSC (quarterly); - Reports on monitoring the market positions of KREDOBANK JSC and

	analysis of the competitive environment (quarterly); - Issues in the field of countering the legalization of proceeds from crime, the financing of terrorism and the financing of the proliferation of weapons of mass destruction (quarterly); - Information on the status of implementing strategic, mandatory and high-priority projects (monthly); - Reports on the status of the project portfolio of KREDOBANK JSC (quarterly) - Issues related to membership of KREDOBANK JSC in unions and business associations; - On implementation of the Capitalization/Restructuring Program (monthly). - Bank network management measures; - information on the Bank's Policy on Sustainable Finance Development and Improvement of the Bank's SSEU; - Conclusion of the Agreement between KREDOBANK JSC and the European Bank for Reconstruction and Development within the framework of the EBRD Programme (Trade Facilitation Programme); - Further strategy of the Bank's cooperation with international financial institutions. - Approval of new internal regulatory documents and new versions of the Bank's internal regulatory documents; - Approval of new banking products and new versions of the banking products - Approval of organizational regulations and new versions of organizational regulations of structural divisions, etc.

Information on meetings of the collegial executive body held and a general description of the decisions made

	Credit Committee of the Bank
Number of meetings of the management board committee in the reporting period	152
Of these, full-time:	129
Of these, remote:	23
Description of key decisions of the management board committee:	The committee considered loan proposals and: 1) Made loan decisions on the implementation (or modification of the terms of implementation) of a credit transaction within the limits of the powers established by the Bank's Management Board, 2) Recommended for consideration by the Management Board the issue of making a credit decision in cases where the amount and content of the proposal exceeds the authority of the Committee, Also considered issues concerning: - Restructuring of credit debt that does not fall within the competence of the non-performing asset management division; - Monthly assessment of the quality of the Bank's assets and preparation of proposals for determining the amount of credit risk and formation of provisions for possible losses (damages) from their impairment; - Reviewing loans; - Presence / absence of criteria for determining a group of related

	counterparties; - Updating certain groups of related counterparties; - Granting permission to pay insurance compensation to the client in the event of an insured event with collateral and support issues; - Setting / changing / cancelling individual rates for lending operations; - Other issues, the list of which was determined by the Bank's Charter, decisions of the Supervisory Board and the Bank's Management Board.

	Asset, Liability and Tariff Management Committee
Number of meetings of the management board committee in the reporting period	129
Of these, full-time:	52
Of these, remote:	77
Description of key decisions of the management board committee:	The committee reviewed the cost of liabilities and the return on assets and decided on the interest margin, considered the compliance of the urgency of assets and liabilities and provided recommendations to the relevant divisions of the bank to eliminate time discrepancies that arise, as well as analysed the ratio of the cost of services and the market competitiveness of current tariffs, and was responsible for the bank's operating income policy. Also, the following decision on approval were made: - Bank's tariffs, except for issues related to the establishment/ modification/ cancellation of individual tariffs for lending operations; - Interest rates on products; - Transfer prices; - Limits of authority for trading operations; - Risk limits; - Limits on financial institutions; - Accreditation of insurance companies with the establishment of a limit on insurance liability.

	Bank's Committee on Non-Performing Assets Management
Number of meetings of the management board committee in the reporting period	48
Of these, full-time:	25
Of these, remote:	23
Description of key decisions of the management board committee:	The committee made decisions on the restructuring of credit debt, in terms of changing existing loan agreements or concluding new loan agreements for reasonable restructuring of credit debt, in accordance with the current internal documents of KREDOBANK JSC.

	The committee also decided on: - Presence / absence of criteria for determining a group of related counterparties; - Updating certain groups of related counterparties; - Granting permission for the transfer / payment of insurance compensation by the insurance company in the event of an insured event (damage / loss of the collateral item); - Recommendations for submitting to the Management Board / Supervisory Board the issue of loan debt restructuring in cases where the loan offer amount exceeds the authority of the NPAC; - Approval of instruments for debt settlement under NPA (out-of-court or judicial), conditions (parameters) of their application for separately defined segments of debtors/counterparties, the sequence of application of instruments in the general process of problem debt management. - Management of non-performing assets, which are supported by the Non-Performing Asset Management Support/Soft Collection/Troubled Assets Collection Departments (including making decisions on determining the instruments for debt settlement under the NPA (out-of-court and judicial) and the conditions (parameters) of such settlement), etc.

	Committee for Cost Control And Tenders
Number of meetings of the management board committee in the reporting period	103
Of these, full-time:	52
Of these, remote:	51
Description of key decisions of the management board committee:	The committee made decisions based on the results of procurement procedures (including tenders) in terms of : IT procurement (purchases of IT equipment, servers, and their maintenance, software, network and telecommunications equipment, technical support services, etc.); administrative procurements (purchases of repair and construction works, furniture and equipment, cars and their maintenance, transportation services, stationery and other office materials, bank equipment, etc.); procurement for banking security (security and fire protection services, maintenance of security and alarm systems, fire extinguishing and fire alarm systems, video surveillance equipment and materials, software and technical support of anti-fraud systems, software and technical support of information security systems, etc.); categories of professional procurements (marketing and advertising services, PR and HR services, information and consulting services, insurance services, consumables for card operations, etc.).

	Committee on Operational Risk and Information Security
Number of meetings of the management board committee in the reporting period	13
Of these, full-time:	13
Of these, remote:	-

Description of key decisions of the management board committee:	The committee decided on: - Analysis of the process of concluding civil contracts in the Bank; - Taking risks associated with the use of individual systems; - Approval of residual risk acceptance; - Approval of action plans to minimize cyber risks; - Analysis of corporate communication options, SMS notification, and communication channels; - Minimization of risks present in the remote identification process; - Registration of the electronic cabinet of KREDOBANK JSC in the Unified Judicial Information and Telecommunications System, etc.

	Change Management Committee
Number of meetings of the management board committee in the reporting period	11
Of these, full-time:	11
Of these, remote:	-
Description of key decisions of the management board committee:	The committee decided on: - Implementation of processes and projects that ensure the implementation of the Bank's development strategy; - Approval of the concept and draft description of a new product/service or changes to an existing product/service; - Project concept approval; - Providing recommendations to the Bank's Management Board on the feasibility and readiness to implement products/services; - Changes (optimization) of processes in a way that will allow achieving the required level of their effectiveness, efficiency of operation, and limit the amount of operational risk; - Effectiveness of the proposed initiative, allocation of necessary resources for implementation and risks associated with implementation; - Modifications of banking products (services) for their effective functioning; - Effectiveness of the change management process; - Need to change the change management process; - Feasibility, possibility, and readiness of implementation if the scope of tasks within the change, product, project implementation is not fully completed or with deviations.

Part 6. Information about the corporate secretary, as well as a report on the results of its activities

Name	Mariia Bilous
Tax ID No.	3058004468
Unique Register Record No.	19830922-10667
Documents regulating the activities of the corporate secretary	The Bank's Charter, Regulations on the Supervisory Board, Organizational Regulations of the Department of Organization, Strategy and Corporate Management, job description
The management body that made the decision to appoint the corporate secretary	Supervisory Board
Date and number of the decision to appoint a corporate secretary	Decision No. 84/2020 of 26.06.2020
Date and number of the decision to approve the corporate secretary's report for the specified period	Not approved
Key points of the report on the performance of the corporate secretary for the reporting period	The corporate secretary provided: - Provision of information to the sole Shareholder and other interested parties about the Bank's activities; - Provision of the Bank's charter and its internal provisions for review to persons who have the right to do so; - Participation in the preparation and holding of general meetings (in the form of a resolution of the sole Shareholder); - Preparing and holding meetings of the Supervisory Board (9 meetings and 85 decisions by ballot); - Acting as the secretary of the Supervisory Board and its committees, drawing up minutes of meetings of the Supervisory Board and its committees; - Participation in responding to requests from the sole Shareholder; - Preparation of excerpts from the minutes of meetings of the Supervisory Board and its committees and their certification, etc.

Part 7. A description of the main characteristics of the entity's internal control systems, as well as a list of the entity's structural units that perform key responsibilities for ensuring the operation of the internal control systems

1	2
The internal control system includes a three-line defence model Yes/No	Yes
Description of the functions of the first line of defence units and a list of key units	The first line of defence consists of the Bank's structural units engaged in operating activities, in particular: product sales and customer service, as well as other structural units of the Bank performing operational tasks that generate risk in accordance with certain internal banking documents.
List of units and description of functions of the second line of defence units	The second line of defence encompasses the functions of the compliance and risk management departments, as well as the identification, measurement, control, monitoring and reporting of specific types of risks and threats and breaches; the tasks are performed by specialised business units operating under appropriate policies, methodologies, and procedures; the purpose of these units is to ensure that the measures implemented in the first line are properly designed and effectively limit risk, support risk measurement and analysis and performance.
List of units and description of functions of the third line of defence units	The third line of defense is the activity of the internal audit unit, which performs an independent audit of elements of the Bank's management system, including the risk management system and the internal control system.
Availability of the approved document(s) defining the internal control system policy (including the compliance and internal audit system)	Yes
List of main internal documents regarding the internal control system (including compliance and internal audit)	Internal regulatory documents that are within the competence of compliance: 1. Internal Control System Organization Policy in KREDOBANK JOINT STOCK COMPANY and the Banking Group (approved by the decision of the Supervisory Board of KREDOBANK JSC No. 04/2023 dated 09.02.2023). 2. Methodology for carrying out internal control measures and evaluating control mechanisms in the structural divisions of the Central Bank of KREDOBANK JOINT STOCK COMPANY (approved by the decision of the Management Board of KREDOBANK JSC No. 1140 dated 20.11.2023).
Date and number of the decision to approve the internal control system report (including risks compliance)	The Compliance Department provides quarterly information on monitoring the effectiveness of measures related to the internal control system, including recommendations on corrective measures, to the Risk Management Committee,

	the Bank's Management Board and the Bank's Supervisory Board. 1. Compliance Risk Assessment Report for the Q1 of 2023 (approved by the decision of the Management Board of KREDOBANK JSC No. 15/2023 of 31.05.2023, approved by the decision of the Supervisory Board of KREDOBANK JSC No. 81/2023 of 23.06.2023). 2. Compliance Risk Assessment Report for the Q2 of 2023 (approved by the decision of the Management Board of KREDOBANK JSC No. 843 dated 29.08.2023, approved by the decision of the Supervisory Board of KREDOBANK JSC No. 114/2023 dated 15.09.2023). 3. Compliance Risk Assessment Report for the Q3 of 2023 (approved by the decision of the Management Board of KREDOBANK JSC No. 28/2023 of 29.11.2023, approved by the decision of the Supervisory Board of KREDOBANK JSC No. 150/2023 of 15.12.2023). 4. Compliance Risk Assessment Report for the Q4 of 2023 (approved by the decision of the Management Board of KREDOBANK JSC No. 188 of 22.02.2024, approved by the decision of the Supervisory Board of KREDOBANK JSC No. 30/2024 of 15.03.2024).
Key points of the report on internal control system (including compliance risks)	Reports submitted to the Bank's Supervisory Board, the Bank's Management Board, and the Supervisory Board's Risk Management Committee shall contain: • Information on identified shortcomings of the internal control system, • Analysis of the causes of their occurrence, the likely consequences that these shortcomings can lead to, • Recommendations/suggestions for improving the efficiency of the internal control system, • Mechanisms for monitoring the status of implementation of previously approved recommendations/proposals
Availability of an approved declaration of risk propensity Yes/No	Yes
Description of the key points of the declaration of risk propensity	The Risk Appetite Statement (RAS) defines the aggregate level of risk appetite, the types of risks that KREDOBANK JOINT STOCK COMPANY (the Bank) will accept or avoid in order to achieve its business goals, and the level of risk appetite for each of them (individual level).
Name of the body that made the decision to approve the declaration of risk propensity	The declaration of risk propensity is designed to ensure the reliability and stability of the Bank, fulfil its obligations to investors, depositors, other creditors and shareholders.
Date and number of the decision on approval of the declaration of risk propensity	The Risk Appetite Statement is an integral part of the business planning process, the ICAAP process, and the Bank's development strategy, as well as it is closely linked to the process of preparing a risk management Strategy.

Part 8. Information about persons who directly or indirectly own a significant block of shares of the entity

Name or full name of the shareholder	Tax ID No.16	Unique Register Record No.17	Size of significant shareholding	Amount of shares held directly and (indirectly)
"General Savings Bank" Polish Joint-Stock Bank (Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna)	-*	-*	100%	100% (direct ownership)

* foreign legal entity

Part 9. Information on any restrictions on the rights of participation and voting of shareholders (participants) at the general meeting of the entity

Name or full name of the shareholder (participant) whose right of participation and/or voting is restricted	Tax ID No.16	Unique Register Record No.17	Description of the existing restriction
do not fill in			

Part 10. Information on the procedure for appointing/dismissing officials (other than the board and executive body) of the entity

Name of the official	Tax ID No.	Unique Register Record No.	Position, body that made the decision on the appointment of the official, date, and number of the decision	Description of the official's key powers	Procedure for appointing and dismissing an official
Olena Petrivska *	2947715863		Director of the Internal Audit Department, elected by Decision No. 39/2016 of 22.06.2016 of the Supervisory Board of KREDOBANK JSC	Accountable and subordinate to the Bank's Supervisory Board. She has direct and unlimited access to the Supervisory Board and the Management Board of the Bank. She has the right, in particular, to demand an extraordinary meeting of the Bank's board (audit committee, if established) and to participate without the right to vote in meetings of the board and/or management board, specialised committees of the bank. She ensures the assessment (at least once a year) of the effectiveness and adequacy of the internal control system as a type of periodic monitoring activities, determining the content, procedure, method, and criteria for assessing the effectiveness of the internal control system, and is responsible for the quality of such assessment. She informs (for the attention of) the Management Board and reports to the Supervisory Board and the Audit Committee on the results of audits and the results of the assessment of the internal control and risk management system. She provides to the NBU: - Plan and changes to the audit plan for the next reporting year; - Report on the work of	Elected and dismissed by a decision of the Supervisory Board as recommended by the Audit Committee of the Supervisory Board

				the bank's internal audit division (twice a year). She notifies the National Bank in writing of distortions of the Bank's financial statements, violations, and shortcomings in the bank's operation, as well as any events in the bank's activities that may negatively affect the solvency, security, and reliability of the Bank/Banking Group member, if the bank's management board did not take timely measures to eliminate these violations and shortcomings, and the bank's board did not consider the appeal of the head of the Internal Audit Department regarding the bank's inaction and did not take appropriate measures based on the results of consideration of this appeal.	
AnatoliI Lavreniuk *	2764512734		Director of the Planning and Controlling Department, Appointed by order of the Chairman of the Management Board No. 691-r dated 26.12.2018	He performs tasks related to financial and operational planning, managing the Bank's performance, organizing a system of information, analytical and methodological support for management decision-making, ensuring the uniformity of the Bank's tariff policy, calculating the reserve and providing analytical information on the quality of the loan portfolio, analytical support for the process of working with problem debt.	Can be appointed and dismissed as ordered by the Chairman of the Bank's Management Board.
Mariia Bilous*	3058004468	19830922-10667	Corporate Secretary, elected by Decision No. 84/2020 of 26.06.2020 of the Supervisory Board of KREDOBANK JSC	She provides information to shareholders and/or investors and other interested parties about the Bank's activities. She ensures that the Bank's Charter and its internal provisions are provided for review to persons who have the right to do so; She performs the	Elected and dismissed by a decision of the Supervisory Board as recommended by the Committee on Appointments and Remuneration of the Supervisory Board

				functions of chairman of the accounting commission in accordance with Article 55 of the Law of Ukraine On Joint-Stock Companies; She ensures the preparation, convocation, and holding of the General Meeting of the Bank, performs the functions of Secretary of the General Meeting and draws up the minutes of the General Meeting of the Bank; She prepares meetings of the Supervisory Board, Committees of the Supervisory Board, performs the functions of Secretary of the Supervisory Board of the Bank, draws up minutes of meetings (decisions) of the Supervisory Board; She participates in the preparation or drafts explanations for the Bank's shareholders or investors on the exercise of their rights, and responds to shareholder or investor inquiries; She prepares excerpts from the minutes of meetings of the Bank's management bodies and certifies them.	

* The list of officials (except for the Board and the Executive Body) of the Bank, the information on which is included in this part, is determined in accordance with part 1 of article 2 of the Law of Ukraine On Joint Stock Companies

Part 11. Information on the remuneration of members of the executive body and/or the company's board

Pursuant to paragraph seven of clause 44 of chapter 3, subsection 1 of section III of the Regulation on Disclosure of Information by Issuers of Securities and Persons Providing Security for Such Securities, joint stock companies that disclose a report on remuneration of members of the board and a report on remuneration of members of the company's executive body in accordance with the Remuneration Requirements for Joint Stock Companies shall include such reports in the corporate governance report.

REPORT ON REMUNERATION OF THE SUPERVISORY BOARD MEMBERS OF KREDOBANK JSC FOR 2023

Regarding the amounts of remuneration that have been and/or are to be paid to the members of the Supervisory Board of KREDOBANK JOINT STOCK COMPANY (hereinafter referred to as the members of the Supervisory Board of Bank) based on the results of the financial year under review (in terms of fixed and variable components of remuneration).

During 2023, remuneration to members of the Bank's Supervisory Board was paid in accordance with:

- Resolutions of the sole shareholder of the Bank - PKO Bank Polski SA (hereinafter referred to as the Shareholder) No. 03/2022 dated 12.12.2022, No. 01/2023 dated 28.04.2023 and No. 03/2023 dated 12.12.2023,
- Regulation on remuneration of members of the Supervisory Board of KREDOBANK JSC, approved by the decision of the sole shareholder No. 03/2022 of 12.12.2022 (hereinafter referred to as the Regulation),
- Civil law agreements concluded with members of the Bank's Supervisory Board.

By the decision of the Bank's sole shareholder No. 01/2023 of 28.04.2023, the amount of remuneration of members of the Bank's Supervisory Board was changed from May 2023.

In accordance with the above decisions, the remuneration was paid to independent members of the Bank's Supervisory Board and members of the Bank's Supervisory Board representing the Shareholder who were not in an employment relationship with the Shareholder or companies of the PKO Bank Polski SA Capital Group and who did not receive compensation due to the prohibition of competition by the Shareholder or companies of the PKO Bank Polski SA Capital Group.

Members of the Bank's Supervisory Board - representatives of the Shareholder who were in an employment relationship with him/her - performed the functions of a member of the Bank's Supervisory Board free of charge.

The Shareholder's Resolution No. 03/2022 dated 12.12.2022 stipulates that the remuneration is to be paid monthly to the independent members of the Bank's Supervisory Board and members of the Bank's Supervisory Board who are not employed by the Shareholder or companies of the PKO Bank Polski SA Capital Group in the amount of

- PLN 6,220;
- Remuneration to citizens of Ukraine and Polish citizens working in Ukraine is paid in UAH at the NBU exchange rate on the day of payment.

Remuneration in the specified amount was paid from January 2023.

By the Shareholder's Resolution No. 01/2023 of 28.04.2023, the amount of remuneration to members of the Supervisory Board was increased, which since May 2023 amounted to PLN 6,996.

During 2023, the remuneration was paid:

Until May 2023 to 4 members of the Supervisory Board, three of whom are independent members of the Supervisory Board,

Since May 2023 to 5 members of the Supervisory Board, three of whom are independent members of the Supervisory Board,

Since December 2023 to 4 members of the Supervisory Board, three of whom are independent members of the Supervisory Board.

Due to the termination of powers of the Supervisory Board member - shareholder representative Mr. Matusiak J. on 28.11.2023, his remuneration in accordance with clause 3.9 of the Regulations on Remuneration of the Supervisory Board Members of KREDOBANK JSC was paid in November 2023 for 28 days, but not for the full term of office, and after that he was not paid any remuneration.

Independent members of the Bank's Supervisory Board who are citizens of Ukraine were remunerated in UAH; an independent member of the Bank's Supervisory Board who is a citizen of the Republic of Poland was remunerated in PLN; a member of the Bank's Supervisory Board who is a representative of the Shareholder who was not in employment relations with him and the companies of the PKO Bank Polski SA Capital Group (operating in Ukraine) - in UAH; another member of the Bank's Supervisory Board - representative of the

Shareholder who was not in employment relations with him and the companies of the PKO Bank Polski SA Capital Group (not operating in Ukraine) - in Polish zlotys.

Regarding the timing of the actual payment of remuneration, their compliance with the Regulations.

The remuneration was paid within the terms stipulated by the Regulations: monthly by the 15th day of the month following the month in which the members of the Bank's Supervisory Board performed their duties.

Regarding the full description of the structure of all components of remuneration to be paid to the members of the Bank's Supervisory Board.

In accordance with the Regulations and resolutions of the Shareholder, the members of the Bank's Supervisory Board entitled to receive remuneration were paid only fixed remuneration in cash.

In respect of payments in cash and non-monetary instruments (if any) made to the members of the Bank's Supervisory Board in the financial year under review

During 2023, the remuneration was accrued and paid to the members of the Bank's Board (including payment of accrued remuneration for December 2022 and excluding remuneration for December 2023, which was paid in January 2024) in the following amount:

	Fixed remuneration paid		Compensation for travel expenses		Compensation for training costs		Amounts of funds paid by the Bank as additional remuneration for performing work outside of normal functions		Amounts of dismissal payments		Total amount of funds paid by the Bank	
	thous., UAH	thous., PLN	thous., UAH	thous., PLN	thous., UAH	thous., PLN	thous., UAH	thous., PLN	thous., UAH	thous., PLN	thous., UAH	thous., PLN
2023	2,218.3	141.4	0	0	0	0	0	0	0	0	2,218.3	141.4
2022	1173.6	43.6	19.3	0	0	0	0	0	0	0	1192.9	43.6

The remuneration accrued to the members of the Supervisory Board of the Bank was paid in non-cash form by transferring it to their accounts with KREDOBANK JSC, Pekao S.A. and PKO Bank Polski SA

During the reporting period, the members of the Bank's Supervisory Board did not receive any other remuneration from the Bank, and were not paid or accrued variable remuneration, including bonuses and other incentive payments, as well as remuneration in kind.

The agreements with the members of the Bank's Supervisory Board were concluded for the term of their functions as members of the Bank's Supervisory Board and contain the remuneration terms stipulated by the Shareholder's resolutions No. 03/2022 dated 12.12.2022 and No. 01/2023 dated 28.04.2023. These agreements do not provide for payments in connection with the termination of powers of the Bank's Supervisory Board members, including in case of early termination of powers.

Regarding deviations of the amounts of actual payments from the amounts to be paid in accordance with the approved remuneration regulations and violations of the Regulations identified by the Bank.

In 2023, there were no deviations between the amounts of actual payments and the amounts to be paid in accordance with the approved remuneration regulations, and the Bank did not identify any violations of the Regulations.

In relation to the performance evaluation criteria that resulted in the accrual of variable remuneration.

In accordance with the Regulations and resolutions of the Shareholder, the members of the Bank's Supervisory Board are not entitled to variable remuneration.

Regarding the facts of the bank's exercise of the right to reduce/cancel/refund the variable remuneration previously paid to the members of the Supervisory Board.

The Bank did not exercise the right to reduce/cancel/refund the variable remuneration previously paid to the members of the Supervisory Board, as the Bank did not pay variable remuneration to the members of the Supervisory Board.

On the presence/absence of justified grounds for payment/delay/reduction/refund of variable remuneration to a member of the Bank's Supervisory Board.

The Bank does not provide for the payment of variable remuneration to the members of the Supervisory Board of the Bank, therefore there are no grounds for its payment/delay/reduction/refund.

Regarding incentive programs.

During 2023, the criteria for determining the remuneration of the Bank's Supervisory Board members did not change, but the amount of remuneration of the Supervisory Board members changed (increased). During 2023, a new version of the Regulation on Remuneration of the Supervisory Board Members, approved by the shareholder's resolution No. 03/2022 dated 12.12.2022, was in force, which provides for a 10% increase in the remuneration of the Bank's Supervisory Board members for participation in the Bank's Supervisory Board committees and the possibility of depriving a member of the Bank's Supervisory Board of remuneration for absence without valid reasons at the meetings of the Bank's Supervisory Board. There were no incentive programmes for the Supervisory Board members. The remuneration of the Bank's Supervisory Board members did not depend on the Bank's annual results.

Taking into account the above, the remuneration of the Supervisory Board members who were entitled to receive remuneration and who were members of the Supervisory Board committees was increased by 10%. As the members of the Supervisory Board entitled to receive remuneration were present at all meetings of the Supervisory Board, there were no cases of deprivation of their remuneration in 2023.

Regarding remuneration in the form of participation of the Bank's Supervisory Board members in the pension scheme.

The Bank does not provide any additional programmes, including pension benefits, to the members of the Supervisory Board.

Regarding the Bank's provision of loans, credits, or guarantees to the members of the Bank's Supervisory Board during the reporting financial year.

During 2023, the Bank did not provide loans, credits, or guarantees to the members of the Bank's Supervisory Board.

Regarding the participants in the remuneration system.

During 2023, the Bank had a Nomination and Remuneration Committee established by the Supervisory Board, consisting of the following members:

- Bukovsky Slawomir Ireneusz - Chairman of the committee – independent member of the Bank's Supervisory Board,
- Chukhray Nataliya Ivanivna – Deputy Chairman of the committee - independent member of the Bank's Supervisory Board,
- Zalewski Rafał - member of the Supervisory Board of the Bank - representative of the shareholder.

The competence of the Committee on Appointments and Remuneration in the field of remuneration includes:

1) Providing recommendations to the Supervisory Board on approval of the Bank's employee remuneration policy and regulations on remuneration of members of the Bank's Management Board;
2) Providing recommendations to the Supervisory Board regarding the regulations on remuneration of members of the Bank's Supervisory Board, proposals on remuneration of members of the Supervisory Board;
3) Providing the Supervisory Board with recommendations on remuneration reports for members of the Supervisory Board and members of the Management Board;
4) Providing recommendations to the Supervisory Board on determining the amount of remuneration of members of the Bank's Management Board;
5) Submission of proposals to the Supervisory Board regarding changes in the remuneration of members of the Management Board, including any form of compensation, among others, in particular, fixed remuneration, remuneration based on the results of activities, pension agreements and compensation for dismissal;
6) Providing recommendations to the Supervisory Board on setting individual Management by Objectives (MbO) for members of the Management Board and approving the calculation of goals for the implementation of MbO for the year and setting an annual bonus for members of the Bank's Management Board;
7) Submission of proposals to the Supervisory Board regarding the forms and essential terms of contracts for members of the Management Board;
8) Providing recommendations to the Supervisory Board regarding reports on the implementation of the Remuneration Policy for the employees of the Bank;
9) Providing recommendations to the Management Board on approval of the Material Risk Takers (MRT) list;
10) Providing recommendations to the Supervisory Board on establishing/changing the amount of MRT remuneration, the appointment of which falls within the competence of the Bank's Supervisory Board;
11) Providing recommendations to the Supervisory Board on setting MRT (other than the director of the Internal Audit Department) as individual Management by Objectives (MbO) and approving the calculation of MbO goals implementation, as well as setting MRT bonuses, the appointment of which falls within the competence of the Bank's Supervisory Board;
12) Providing recommendations to the Supervisory Board on approval of budgets of the Compliance Department, Risk Management Division and Control and Financial Monitoring Department;
13) Monitoring the level and structure of remuneration for MRT, the appointment of which falls within the competence of the Bank's Supervisory Board.

The Committee on Appointments and Remuneration of the Supervisory Board of KREDOBANK JSC at its meeting on 04.04.2023 considered the report on remuneration of the members of the Supervisory Board of the Bank for 2022 and recommended the Supervisory Board to approve this report and submit it to the sole shareholder of KREDOBANK JSC, who performs the powers of the General Meeting of Shareholders.

External consultants did not take part in the implementation of the remuneration system for the Bank's Supervisory Board members, while the Shareholder participated by adopting resolutions that, in accordance with Article 49 of the Law of Ukraine On Joint Stock Companies, have the status of resolutions of the General Meeting of Shareholders.

Regarding the actual attendance of the Bank's Supervisory Board members at the meetings of the Bank's Supervisory Board and its committees.

During 2023, the members of the Bank's Supervisory Board attended all 9 meetings of the Bank's Supervisory Board, except for P. Zalewski, a member of the Bank's Supervisory Board, who did not take part in one meeting for good reasons.

In 2023:

- All members of the Bank's Supervisory Board - members of the audit committee - were present at all seven meetings of this committee, except for Mr. Zalewski R., a member of the Supervisory Board, who did not take part in two meetings of the committee for good reasons;
- All members of the Bank's Supervisory Board who are members of the Risk Management Committee attended all eight meetings of this Committee, except for Mr. G. Oszast, who was absent from one meeting of the Committee for valid reasons, and Mr. S. Bukovsky, who was absent from three meetings of the Committee for valid reasons;
- All members of the Bank's Supervisory Board who are members of the Committee on Appointments and Remuneration attended all twelve meetings of this committee, except for Mr Zalewski R., who was absent from three meetings of the committee for valid reasons.

Regarding the confirmed facts of unacceptable behaviour of a member of the Bank's Supervisory Board.

The Bank does not have any information on confirmed facts of unacceptable behaviour of the Bank's Supervisory Board members in 2023.

REPORT ON REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD OF KREDOBANK JOINT STOCK COMPANY FOR 2023

During 2023, the remuneration to the members of the Management Board of KREDOBANK JOINT STOCK COMPANY (hereinafter referred to as the Bank) was paid in accordance with the decisions of the Supervisory Board of the Bank, employment contracts concluded with the members of the Management Board of the Bank and the Regulations on the Principles of Employment and Remuneration of the Management Board of KREDOBANK JOINT STOCK COMPANY approved by the decision of the Supervisory Board of the Bank No. 65/2023 dated 04.05.2023 (hereinafter referred to as the Regulations).

For the purpose of preliminary study and preparation for consideration by the Supervisory Board of the Bank of issues related to the selection, evaluation, appointment, determination of remuneration of members of the Management Board of the Bank and persons whose professional activities have a significant impact on the risk profile of the Bank, the Bank established a standing Committee on Appointments and Remuneration of the Supervisory Board of the Bank (hereinafter referred to as the Committee).

The Committee consists of:

- Chairman of Committee – Slawomir Ireneusz Bukovsky (independent member),
- Deputy Chairman of Committee – Nataliya Ivanivna Chukhray (independent member),
- Committee Member - Rafał Zalewski.

The main consultants on the implementation of the remuneration system at the Bank are PKO BP's specialised structural units.

In accordance with the employment contracts of the members of the Management Board of the Bank, which are concluded for a period of 3 years, they were paid fixed remuneration for the performance of their duties (basic remuneration accrued individually to the members of the Management Board of the Bank).

The amount of fixed remuneration is determined by the decision of the Bank's Supervisory Board and corresponds to the level of professional experience, the position of a member of the Management Board in the Bank's organisational structure and the level of his/her responsibility. The fixed remuneration has a predetermined amount in accordance with the terms of the employment agreement (contract) concluded between the Bank and the member of the Management Board.

Fixed remuneration was paid to the members of the Management Board on a monthly basis, twice a month: on the 15th day of the month for the first half of the month and on the last day of the month for the second half of the month in UAH.

Variable remuneration is additional remuneration that is accrued and paid after the end of the assessment period, in particular:

- Bonuses,
- Reward for special achievements in work.

Variable remuneration was paid to the members of the Management Board in accordance with the decisions of the Supervisory Board of the Bank thereafter:

- Approval of the Performance Evaluation Report of the Management Board of the Bank,
- Approval of the financial statements for the previous financial year,
- Granting this member of the Management Board absolute authority to perform his/her duties.

In 2022, the Bank's Supervisory Board set goals for each member of the Management Board. In the reporting period, following the approval of the Bank's performance results by the Annual General Meeting, the Bank's Supervisory Board assessed the performance of the Management Board members in meeting their goals for 2022.

The performance of the Management Board members was assessed based on the following criteria:

- Performance evaluation in accordance with financial and non-financial criteria,
- Assessment of the Bank's performance in the area of responsibility of a member of the Management Board, taking into account the performance of the entire Bank.

In accordance with the degree of fulfilment of the goals for 2022 by the members of the Management Board of the Bank at the level of 100%, the Supervisory Board of the Bank decided to determine the total amount of variable remuneration to be paid to the members of the Management Board of the Bank during 2023-2029 at the level of 50% of the fixed remuneration for the period and, in particular, the amount of bonus paid to the members of the Management Board of the Bank in 2023 for 2022.

The fixed and variable components of the remuneration were paid to the members of the Management Board in non-cash form by transferring them to their accounts.

Information on cash payments made to members of the Bank's Management Board in the reporting financial year:

1. The total amount of funds paid by the Bank in 2023 is UAH 63,750,931.53;

- including the amount of payments as remuneration for 2019-2022 – UAH 20,093,604.63.

Travel expenses paid by the Bank in 2023 in the amount of UAH 1,378,970.61 are included in the total amount of funds paid by the Bank in 2023.

2. The amount of funds paid by the Bank in the form of fixed remuneration in 2023 is UAH 39,372,855. 10;

- including, as a reward for 2024 - UAH 101,816.79.

3. Amount of funds paid by the Bank in the form of variable remuneration in 2023 - UAH 20,093,604.63 (bonuses paid on the basis of the Bank's Supervisory Board Resolutions);

- including the amount of payments as remuneration for 2019 – UAH 4,539,406.59.

- including the amount of payments as remuneration for 2020 – UAH 2,113,482.24.

- including the amount of payments as remuneration for 2021 – UAH 6,731,218.78.

- including the amount of payments as remuneration for 2022 – UAH 6,709,497.02.

4. The amount of funds paid by the Bank in the form of additional remuneration for work outside the normal functions in 2023 is 0;

– including as a reward for 2022 - 0.

5. The amount of payments for dismissal in 2023 is 0;

– including for 2022 - 0.

6. The estimated value of remuneration provided in non-monetary form in 2023 is UAH 2,905,501.19;

– including for 2022 - 0.

In accordance with the Regulations on the Principles of Employment and Remuneration of the Management Board Members of KREDOBANK JOINT STOCK COMPANY, the fixed remuneration of the Management Board members includes only a fixed monthly remuneration.

The variable remuneration paid in 2023 includes the variable remuneration of all members of the Management Board of the Bank who served in 2019-2022.

The total amount of funds paid by the Bank in 2023 includes the amount of compensation paid for business trips, per diem and other expenses.

In 2023, there were no deviations of payment periods and amounts of actual payments from the amounts to be paid in accordance with the approved remuneration terms and conditions, and no violations of the Regulations on the Principles of Employment and Remuneration of the Management Board of KREDOBANK JOINT STOCK COMPANY identified by the Bank.

Based on the results of their work in 2019, the members of the Management Board of the Bank were paid the second deferred non-cash part of the bonus in 2023, which was adjusted for the level of equity growth and amounted to UAH 3,209,735.73 at the time of payment, and the third deferred cash part, which was adjusted for the Ukrainian index of retail deposit rates UIRD for a period of 12 months for the US dollar, published by the National Bank of Ukraine at the valuation date, and amounted to UAH 1,329,670.86 at the time of payment. Other components of the variable remuneration, namely the third deferred non-cash part (12% of the base amount of remuneration), will be calculated and paid in July 2024 on the basis of the additional decision of the Supervisory Board.

At the same time, based on the results of work in 2020, the members of the Bank's Management Board were paid the first deferred non-cash part of the bonus amount in 2023, which was adjusted for the level of equity growth and amounted to UAH 1,163,722.56 at the time of payment, and the second deferred cash part, which was adjusted for the fair interest rate, i.e. the average interest cost of the term deposit offer of PKO Bank Polski for individuals, excluding structured deposits and the IKE deposit account, as of the last day of January and amounted to UAH 949,759.68 at the time of payment. At the same time, the base value of variable remuneration was reduced by 21% in accordance with the decision of the Bank's Supervisory Board of 09.04.2021 No. 34/2021 due to the ongoing COVID-19 epidemic on the territory of the state, in particular, due to the extension of the term of emergency administrative restrictions on carrying out economic activities and the possible economic consequences of such a situation and their expected impact on the financial sector. Other components of the variable remuneration, namely: the third deferred cash part (6.7% of the base amount of remuneration) and the second-third deferred non-cash part (6.7% of the base amount of remuneration each), will be calculated and paid in January and July 2024-2025 on the basis of the additional decision of the Bank's Supervisory Board.

At the same time, based on the results of the year 2021, the remuneration of the Management Board members was reviewed in 2023 to ensure that the conditions necessary for the payment of the bonus in 2023 were met in full in cash without deferral. As it was confirmed that certain members of the Management Board of the Bank met the required conditions, their variable remuneration for 2021 was paid in full in cash in 2023 without deferral in the amount of UAH 1,622,256.23. For the remaining members of the Bank's Management Board, the second deferred part of the bonus amount was paid, which was adjusted for the level of equity growth and amounted to UAH 4,470,438.22 at the time of payment, as well as the first deferred cash part, which was adjusted for the fair interest rate - the average interest cost of the term deposit offer of PKO Bank Polski for individuals, excluding structured deposits and the IKE deposit account, as of the last day of January and amounted to UAH 638,524.33 at the time of payment. Other components of the variable remuneration, namely: the second-fifth deferred cash parts (4% of the base amount of remuneration each) and the first-fifth deferred non-cash parts (4% of the base amount of remuneration each), will be calculated and paid in July 2024-2028 on the basis of the additional decision of the Bank's Supervisory Board.

At the same time, based on the results of the year 2022, the remuneration of the Management Board members was reviewed in 2023 to ensure that the conditions necessary for the payment of the bonus in 2023 were met in full in cash without deferral. As it was confirmed that certain members of the Management Board of the Bank met the required conditions, their variable remuneration for 2022 was paid in full in cash in 2023 without deferral in the amount of UAH 2,252,625.76. For the remaining members of the Bank's Management Board, the first unspent portion of the bonus was paid, which amounted to UAH 4,456,871.26 at the time of payment. The other components of the variable remuneration, namely: the non-cash deferred part (30% of the total remuneration each), the first to fifth cash deferred parts (4% of the total remuneration each) and the first to fifth non-cash deferred parts (4% of the total remuneration each) will be calculated and paid in July 2024-2029 based on a separate resolution of the Supervisory Board of the Bank, taking into account the following adjustments that will affect the amount of bonuses: fair interest rate: the average interest cost of the term deposit offer of PKO Bank Polski for the public, excluding structured deposits and the IKE deposit account, as of the last day of January, and the level of equity growth in the year preceding the year of payment of the specified part of the bonus compared to the reporting year.

In 2023, no variable remuneration in the form of shares, options, and other financial instruments was paid to the members of the Management Board of the Bank.

In 2023, the Bank did not exercise the right to return/reduce/cancel previously paid variable remuneration components, as there were no justified grounds for this.

The Bank provides medical insurance for the Bank's employees, including members of the Management Board, as well as liability insurance for the Bank's executives. The Bank did not have any pension plans, and therefore no remuneration was paid.

During the reporting period, no violations of the approved terms of remuneration to the members of the Management Board were detected.

In 2023, the members of the Bank's Management Board were constantly present at the meetings of the Bank's Management Board and its committees of which such member of the Management Board is a member, except for business trips, illness, and holidays.

Information on the attendance of the Bank's Management Board members at the meetings of the Management Board and its committees, of which such a member of the Management Board is a member, in 2023 is given in Table 1.

Table 1

Attendance at meetings of the Management Board and its committees, of which such member of the Management Board is a member	**Chairman of the Bank's Management Board, J. J. Shugaev**	**First Deputy Chairman of the Bank's Board W. Tarasiuk**	**Deputy Chairman of the Bank's Management Board, responsible for risk management (CRO), A.P.Svirskyi**	**Deputy Chairman of the Bank's Management Board, responsible for directing operations, O.Z. Noga**	**Deputy Chairman of the Bank's Management Board, responsible for IT management, A. Cieslar**	**Member of the Bank's Management Board (CFO), A. Ye. Kirkach**
Board Meeting	29	28	28	27*	29	25
Asset, Liability and Tariff Management Committee	97	78	34	not a member of committee	not a member of committee	103
Credit Committee	not a member of committee	0	110	not a member of committee	not a member of committee	not a member of committee
Committee on Non-Performing Assets Management	not a member of committee	10	45	not a member of committee	not a member of committee	not a member of committee
Committee for Cost Control And Tenders	74	not a member of committee	not a member of committee	88	94	89
Change management committee	not a member of committee	6	not a member of committee	11	10	8
Committee on Operational Risk and Information Security	0	not a member of committee	13	8	12	not a member of committee

*During 2023, the Deputy Chairman of the Management Board in charge of operations, O. Z. Noga, did not participate in the adoption of 2 decisions as the conflict of interest did not allow him to fully perform his duties in the interests of the Bank, its depositors and participants.

During the reporting financial year, KREDOBANK JSC did not provide loans/borrowings/guarantees to the members of the Management Board of the Bank.

During the reporting year, there were no confirmed facts of unacceptable behaviour of the Bank's Management Board members (including those reported in confidence).

Chairman of the Management Board of KREDOBANK JSC **Jerzy Jacek Shugaev**

АКЦІОНЕРНЕ ТОВАРИСТВО «КРЕДОБАНК» KredoBank 09807862 АТ «КРЕДОБАНК» у м. ЛЬВІВ

SEPARATE FINANCIAL STATEMENTS

SEPARATE STATEMENT OF FINANCIAL POSITION

In thousands of hryvnias	Note	31 December 2023	31 December 2022
Assets			
Cash and funds in the National Bank of Ukraine	5	15 847 455	10 645 808
Due from other banks	6	3 930 932	5 313 436
Loans and advances to customers	7	12 468 094	12 505 602
Securities	8	21 939 446	9 004 174
Current income tax prepayment		203 276	4 544
Deferred Income tax asset	28	104 132	41 212
Investments in subsidiaries	9	35 000	10 000
Investment property	10	8 863	8 138
Intangible assets	12	313 007	224 275
Property, plant and equipment	11	815 466	836 223
Other financial assets	13	38 456	244 159
Other non-financial assets	14	181 945	132 936
Total assets		**55 886 072**	**38 970 507**
Liabilities			
Due to other banks	15	1 745 849	971 551
Customer accounts	16	46 464 312	33 012 516
Due to other financial institutions	17	100 752	102 303
Current income tax liabilities		1 007 198	12 877
Other financial liabilities	18	401 433	656 719
Other non-financial liabilities	19	264 082	142 839
Provisions	20	33 766	33 765
Total liabilities		**50 017 392**	**34 932 570**
Equity			
Share capital	21	2 248 969	2 248 969
Reserve and other funds		1 627 010	1 476 852
Revaluation reserve for property, plant and equipment		90 323	100 537
Revaluation reserve for securities at fair value through other comprehensive income		680 626	61 383
Retained earnings		1 221 752	150 196
Total equity		**5 868 680**	**4 037 937**
Total liabilities and equity		**55 886 072**	**38 970 507**

Approved to issue and signed on behalf of the Management Board on April 1, 2024.

Jerzy Jacek Szugajew

Chairman of the Management Board

Vasyl Lototsky

Acting Chief Accountant

АКЦІОНЕРНЕ ТОВАРИСТВО «КРЕДОБАНК»
KredoBank
09807862
АТ «КРЕДОБАНК» у м. ЛЬВІВ

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands of hryvnias	Note	2023	2022
Interest income calculated using the effective interest method	23	5 036 784	2 919 419
Other interest income	23	76 525	107 101
Interest expense	23	(1 878 379)	(866 683)
Net interest income		**3 234 930**	**2 159 837**
Fee and commission income	24	816 262	739 149
Fee and commission expense	24	(302 010)	(224 649)
Gains less losses from trading in foreign currencies		434 969	566 526
Foreign exchange translation gains less losses		40 628	104 736
Gains less losses on derecognition of securities at fair value through other comprehensive income		616	(11 549)
Gains less losses on derecognition of financial assets at amortised cost		17 457	16 355
Result of modification of financial assets		(5 645)	(28 849)
Credit loss expense on financial assets	25	(209 675)	(1 730 438)
Other operating income	26	61 777	87 016
Employee payments expenses	27	(883 375)	(690 698)
Depreciation costs	11,12	(311 859)	(317 729)
Administrative and other operating expenses	27	(607 823)	(495 363)
Profit before tax		**2 286 252**	**174 344**
Income tax expense for the year	28	(1 074 752)	(31 928)
Profit for the year		**1 211 500**	**142 416**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Financial instruments at fair value through other comprehensive income			
- Net change in the fair value of financial instruments at fair value through other comprehensive income	22	619 859	(64 321)
- Net change in the fair value of financial instruments at fair value through other comprehensive income transferred to net profit and loss	22	(616)	11 549
Other comprehensive income for the year		**619 243**	**(52 772)**
Total comprehensive income for the year		**1 830 743**	**89 644**
Basic and diluted profit per share attributable to shareholders on the basis of The Consolidated Financial Statements (UAH per share)	29	0,0054	0,0006

Approved to issue and signed on behalf of the Management Board on April 1, 2024.

Jerzy Jacek Szugajew
Chairman of the Management Board

АКЦІОНЕРНЕ ТОВАРИСТВО «КРЕДОБАНК» KredoBank 09807862 АТ «КРЕДОБАНК» у м. ЛЬВІВ

Vasyl Lototsky
Acting Chief Accountant

SEPARATE STATEMENT OF CHANGES IN EQUITY

In thousands of hryvnias	Note	Share capital	Reserve and other funds	Revaluation reserve for securities at fair value through other comprehensive income	Revaluation reserve for property, plant and equipment	Retained earnings	Total equity
Balance at 1 January 2022		**2 248 969**	**680 551**	**114 155**	**103 301**	**801 317**	**3 948 293**
Profit for the year		-	-	-	-	142 416	142 416
Other comprehensive income	22	-	-	(52 772)	-	-	(52 772)
Total comprehensive income for 2022		**-**	**-**	**(52 772)**	**-**	**142 416**	**89 644**
Distribution of profit to the reserve and other funds		-	796 301	-	-	(796 301)	-
Transfer of revaluation surplus on property		-	-	-	(2 764)	2 764	-
Balance at 31 December 2022		**2 248 969**	**1 476 852**	**61 383**	**100 537**	**150 196**	**4 037 937**
Profit for the year		-	-	-	-	1 211 500	1 211 500
Other comprehensive income	22	-	-	619 243	-	-	619 243
Total comprehensive income for 2023		**-**	**-**	**619 243**	**-**	**1 211 500**	**1 830 743**
Distribution of profit to the reserve and other funds		-	150 158	-	-	(150 158)	-
Transfer of revaluation surplus on property		-	-	-	(10 214)	10 214	-
Balance at 31 December 2023		**2 248 969**	**1 627 010**	**680 626**	**90 323**	**1 221 752**	**5 868 680**

Approved to issue and signed on behalf of the Management Board on April 1, 2024.

АКЦІОНЕРНЕ ТОВАРИСТВО «КРЕДОБАНК» KredoBank 09807862 АТ «КРЕДОБАНК» у м. ЛЬВІВ

Jerzy Jacek Szugajew
Chairman of the Management Board

Vasyl Lototsky
Acting Chief Accountant

SEPARATE STATEMENT OF CASH FLOWS

In thousands of hryvnias	Note	2023	2022
Cash flows from operating activities			
Interest received		5 084 360	2 752 351
Interest paid		(1 839 580)	(862 527)
Fees and commissions received		817 267	754 575
Fees and commissions paid		(302 010)	(224 649)
Income received from trading in foreign currencies		434 969	566 526
Other operating income received		49 181	72 557
Employee costs paid		(794 056)	(695 030)
Administrative and other operating expenses paid		(618 921)	(442 846)
Income tax paid		(342 083)	(50 532)
Cash flows from/(used in) operating activities before changes in operating assets and liabilities		**2 489 127**	**1 870 425**
Net (increase)/decrease in due from other banks		33 476	(33 058)
Net (increase)/decrease in loans and advances to customers		255 850	3 522 759
Net (increase)/decrease in other financial and non-financial assets		148 545	(117 162)
Net increase/(decrease) in due to other banks		726 583	(2 948 516)
Net increase/(decrease) in customer accounts		12 420 754	5 250 678
Net increase/(decrease) in other financial and non-financial liabilities		(202 871)	401 889
Net cash from/(used in) operating activities		**15 871 464**	**7 947 015**
Cash flows from investing activities			
Acquisition of securities		(28 826 631)	(5 368 851)
Proceeds from disposal and redemption of securities		17 004 178	5 659 968
Investments in subsidiaries		(25 000)	-
Acquisition of property, plant and equipment		(130 463)	(60 301)
Proceeds from disposal of property and equipment		34 747	13 301
Acquisition of intangible assets		(197 792)	(104 929)
Net cash from/(used in) investing activities		**(12 140 961)**	**139 188**
Cash flows from financing activities			
Redemption of issued own debt securities		-	(483 355)
Payment of lease liabilities		(79 742)	(78 815)
Net cash from/(used in) financing activities		**(79 742)**	**(562 170)**
Effect of exchange rate changes on cash and cash equivalents		200 881	1 302 247
Net increase/(decrease) in cash and cash equivalents		**3 851 642**	**8 826 280**
Cash and cash equivalents at the beginning of the year		15 908 446	7 082 166
Cash and cash equivalents at the end of the year	5	**19 760 088**	**15 908 446**

* The Separate Statement of Cash Flows was prepared using the direct method

Approved to issue and signed on behalf of the Management Board on April 1, 2024.

АКЦІОНЕРНЕ ТОВАРИСТВО «КРЕДОБАНК» KredoBank 09807862 АТ «КРЕДОБАНК» у м. ЛЬВІВ

Jerzy Jacek Szugajew
Chairman of the Management Board

Vasyl Lototsky
Acting Chief Accountant

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. INTRODUCTION

These financial statements were prepared in accordance with the International Financial Reporting Standards for fiscal year 2023 for Joint Stock Company "Kredobank" (hereinafter - the "Bank") in addition to the Consolidated Financial Statements of the Bank in accordance with IFRS, for submission to the National Bank of Ukraine (NBU) in compliance with the requirements of paragraph 8.1 of Section III of the instructions on the procedure for preparing and publishing the financial statements of banks of Ukraine, approved by NBU Board Resolution No. 373 on November 10, 2011, with amendments and additions. These separate financial statements should be reviewed together with the consolidated financial statements, which can be obtained on the Bank's official website (www.kredobank.com.ua).

The Bank was incorporated and is domiciled in Ukraine. The Bank is a joint-stock company limited by shares and was set up in accordance with Ukrainian laws.. The Bank was founded in 1990 as a joint stock company. Initially registered by the USSR State Bank the Bank was re-registered by the National Bank of Ukraine (the “NBU”) on 14 October 1991 under the name of West-Ukrainian Commercial Bank. In November 2005, the shareholders of the Bank made the decision to change the name to Kredobank. Under the decision of Extraordinary General Shareholders Meeting on 26 November 2009, the Bank changed its name to Public Joint Stock Company “Kredobank” in order to bring its activities into compliance with the requirements of the Law of Ukraine On Joint-Stock Companies

As at 31 December 2023 and 31 December 2022, the Bank’s immediate parent company was PKO Bank Polski S.A. (Poland). The Bank is a member of the PKO Bank Polski Group (“PKO BP Group”). The largest shareholder of the PKO BP Group is the Ministry of State Assets of Poland, which controls PKO Bank Polski S.A. as owns 29.43% in the share capital of PKO Bank Polski S.A. Share of other shareholders of PKO BP S.A. does not exceed 10% of voting shares. The Bank does not have transactions with the Ministry of State Assets of Poland. As at 31 December 2023 and 31 December 2022, PKO BP S.A. owns 100% of shares of the Bank.

Principal activity. The Bank’s principal business activity includes commercial banking operations, corporate and retail banking operations within Ukraine.

The Bank operates under License #43 issued by the NBU on 11 October 2011 that provide the Bank with the right to conduct banking operations, including currency operations. The Bank also possesses licenses for custodial services issued on 10 October 2013 and licenses for securities operations issued on 7 November 2012. The Bank participates in the State deposit insurance scheme (registration #051 dated 19 October 2012), which operates according to the Law of Ukraine “On Deposit Guarantee Fund” dated 23 February 2012 (as amended).

During the period of martial law in Ukraine and three months from the date of its termination or cancellation, the fund reimburses each depositor of the bank for the full amount of the deposit, including interest accrued as of the end of the day preceding the day of the bank's withdrawal from the market. After the end of the three-month period from the date of termination or lifting of martial law in Ukraine, the fund guarantees reimbursement of deposits of up to UAH 600 thousand per person in the event of liquidation of the bank.

As at 31 December 2023, the Bank has 68 outlets (in 2022 – 66 outlets) in Ukraine.

In 2023, the average number of full-time employees of the Bank was 1 435 employees (in 2022: 1 580 employees).

KREDOBANK JSC operates in accordance with the strategy for 2021-2023 approved by the Bank's Supervisory Board. The strategy was implemented in 2022, taking into account new external factors caused by Russia's military aggression and the ongoing Russian-Ukrainian war, and within the limits of existing objective capabilities. The main strategic goals of KREDOBANK JSC are to achieve the expected level of return on capital; increase the total number of customers in all segments; increase the level of customer satisfaction and activity; increase the share in servicing foreign trade turnover between Ukraine and Poland; quickly respond to business needs and improve the reliability of key IT systems; maintain a moderate risk appetite; increase operational efficiency; increase employee engagement and satisfaction.

At the end of 2023, JSC "KREDOBANK" developed a new Strategy called "Safe Bank in Dangerous Times". The new Strategy was approved by the Management Board of the Bank and sent for approval by the sole Shareholder, after which its final approval by the Supervisory Board of the Bank is expected. The new Strategy covers 2024-2025, which is an optimal period taking into account both the ongoing war and a significant level of uncertainty, and the period of the current Strategy of P KO Bank Polski as the sole Shareholder of the Bank. The new Strategy also clarifies the strategic idea (vision, mission, corporate values) of JSC "KREDOBANK", which better meets the challenges of the external environment and the expectations of stakeholders.

The mission of JSC "KREDOBANK" is to be a reliable financial partner for our Clients and an attractive employer for our Employees. As a member of the Capital Group of the largest Polish bank PKO Bank Polski S.A., we strive to offer our customers the right financial solutions, implement modern technologies, develop international cooperation and support the economy of Ukraine.

The long-term vision of JSC "KREDOBANK" is an efficient and safe bank that creates value for its customers, employees and shareholders. The values of JSC "KREDOBANK" as a member of PKO BP SA Capital Group are: partnership, development, and impact.

The new Strategy takes into account the factors of influence of the Russian aggression and the ongoing war on the conditions of the banking sector and JSC "KREDOBANK" and focuses on ensuring the Bank's sustainability and preparing for the reconstruction of Ukraine. At the same time, significant uncertainty and volatility of the environment inherent in the current conditions require from JSC "KREDOBANK" flexibility in planning and actions to respond quickly and effectively to changes. In accordance with the new Strategy, JSC "KREDOBANK" remains a universal bank providing quality services to all customer segments, but will pay priority attention to the corporate segment and the segment of small and medium-sized businesses, taking into account both their growing importance in the Bank's revenue structure and their major contribution to the economic recovery of Ukraine.

Registered address and place of business.

The Bank’s registered address and place of business is:

78 Saharova Str.

79026 Lviv

Ukraine

Presentation currency.

These separate financial statements are presented in thousands of hryvnias ("UAH"), unless otherwise stated.

2. OPERATING ENVIRONMENT OF THE BANK

On February 24, 2022, Russian troops launched an invasion of Ukraine. 2023 is the year of the continuation of Russia's full-scale war against Ukraine. This factor is the main driver that affects the operating environment.

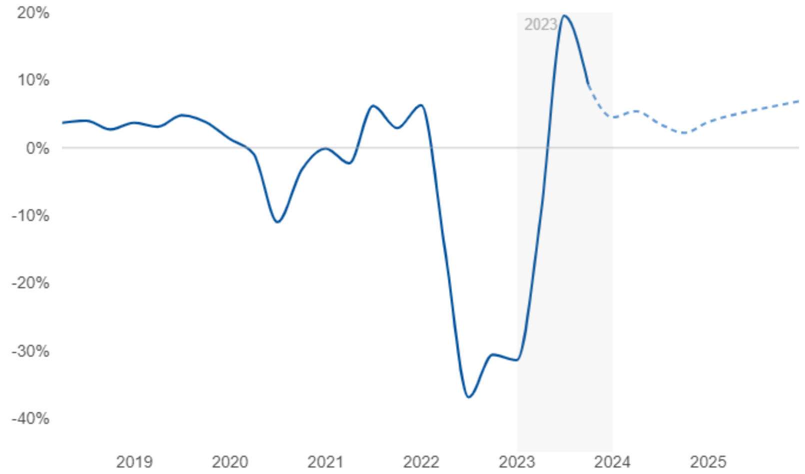
Only direct losses from the war to Ukraine's infrastructure exceeded 150 billion USD, and the total amount was 1 trillion USD.

A war on the territory of a state is usually an economic collapse. But until recently, Ukraine proved that it could survive economically and financially. The banking system survived, the government continued to pay pensions and salaries, the hryvnia devalued, but did not lose its role as the main means of payment.

GDP dynamics

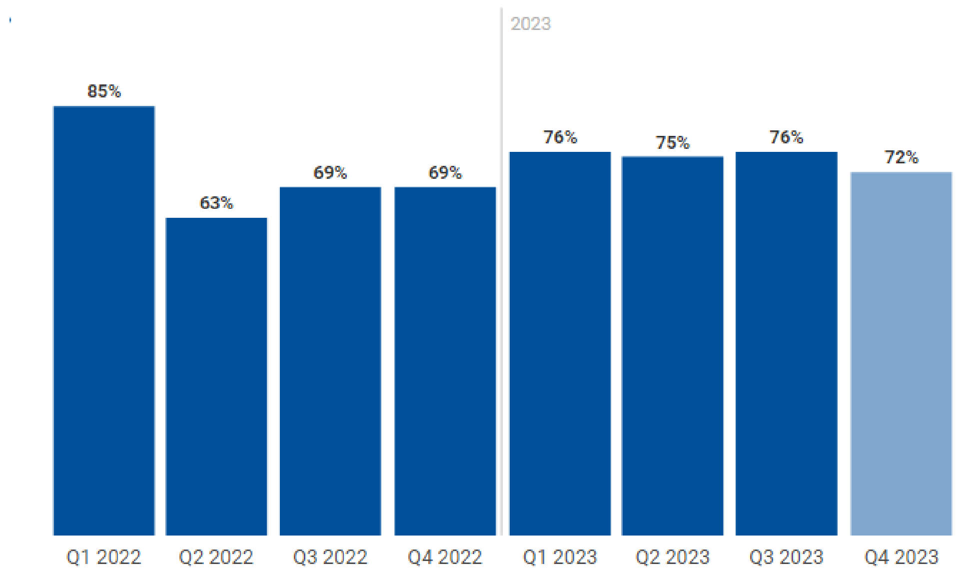
In 2023, Ukraine's real GDP grew by 5-5.5%, according to various estimates. This is a recovery after a sharp 28.8% drop in 2022. Despite the recovery, GDP is still about a quarter lower than in 2021. In the first quarter of 2023, GDP was still falling, but grew for the remaining three quarters.

Quarterly change in GDP (with NBU forecast), %



GDP growth took place against a low comparison base in 2022, meaning that the economic recovery had actually stopped. In each quarter of 2023, real GDP was lower than in the corresponding quarter of 2021.

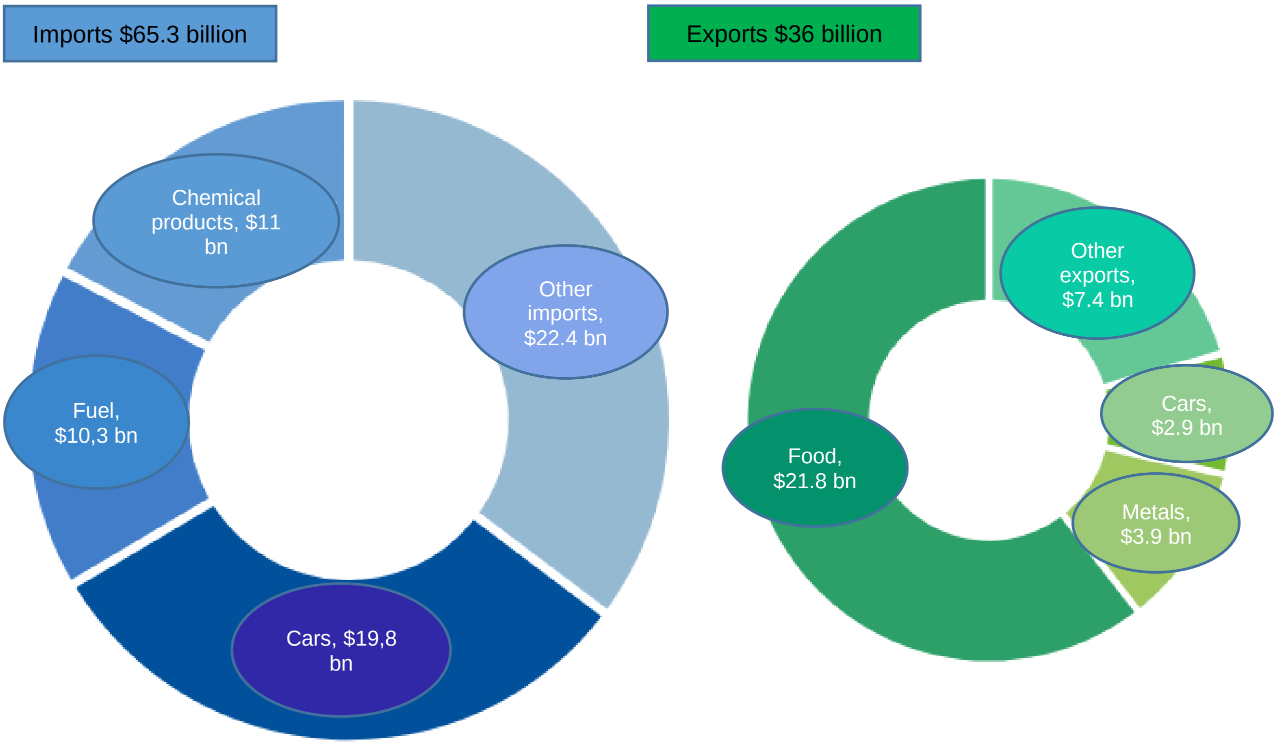
Real GDP relative to the corresponding quarter of 2021, %



In 2023, Ukraine exported $36 billion worth of goods and imported $63.5 billion. Merchandise exports decreased for the second year in a row: in 2021, Ukraine's exports of goods reached $68.2 billion, and in 2022 - $44.2 billion. The key categories of Ukraine's merchandise exports are food (mostly grain) and metals, which are highly dependent on easy logistics.

In 2023, Ukraine created its own Ukrainian Sea Corridor to the Black Sea ports of Odesa region. This has allowed for a gradual increase in not only grain exports, but also the resumption of maritime exports of other goods, as well as the resumption of maritime imports.

Largest categories of Ukraine's commodity exports and imports in 2023, USD bn



The weather in 2023 was favorable for agriculture, and farmers were able to break yield records. Grain yields increased to 54.7 c/ha, breaking the previous record of 2021, when the yield was 53.6 c/ha. Yields of other crops were also good. This made it possible to harvest high yields despite the loss of a significant part of the territories that are either under occupation or dangerous to work in.

High harvests also pose certain challenges - it is important to maintain logistical capabilities for food exports. At the end of 2023, maritime exports of grains and oilseeds through the Ukrainian Sea Corridor reached the peak indicators of the Grain Agreement.

Ukraine's metallurgical enterprises have been gradually, slowly, recovering. Currently, steel mills are operating at about 70% of their capacity. At the end of 2023, the rope around the neck of steelmakers was finally loosened, as sea exports through the Ukrainian Sea Corridor resumed. The corridor should continue to operate, and opportunities for ferrous metal exports should be expanded. The steel industry will then feel much more confident, as before the war, 4/5 of the industry's output was exported, and it is almost impossible to replace such volumes with domestic consumption.

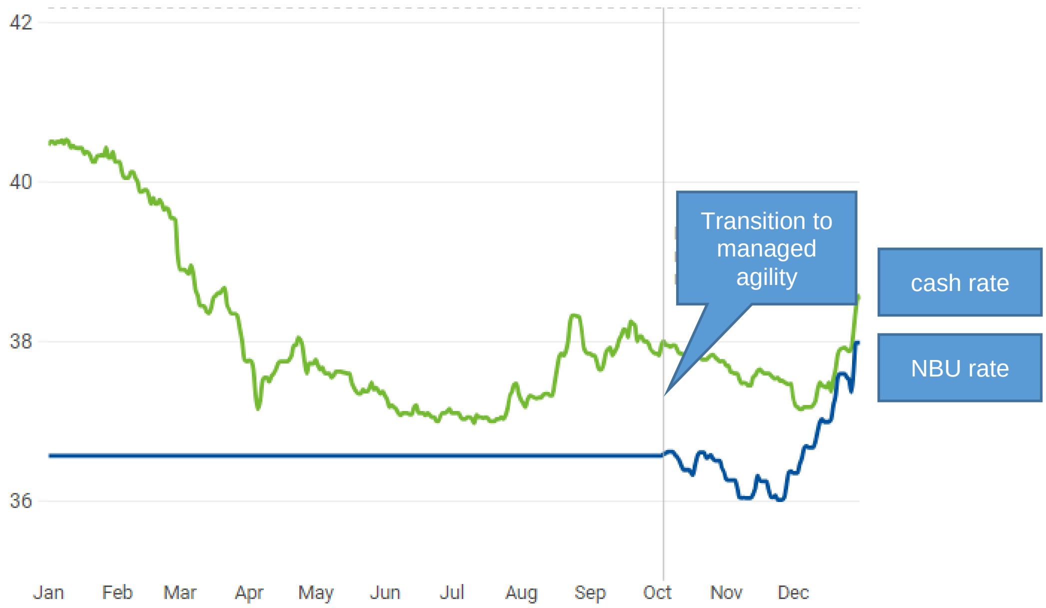
Monetary and financial sectors

Hryvnia

Ukraine entered 2023 with an official exchange rate of UAH 36.6 to the dollar. The cash exchange rate was significantly higher: UAH 40.5 to the dollar as of January 1. Expectations for the year varied: the government budgeted for an average annual exchange rate of 42.2 UAH/USD in 2023, while non-governmental experts agreed on a consensus forecast of an average annual exchange rate of 37.9 UAH/USD.

In the end, the NBU kept the exchange rate fixed at 36.6 for most of the year, and the gap with the cash rate gradually narrowed. On October 3, the NBU switched to a managed flexibility regime, but due to significant foreign exchange interventions, the hryvnia even slightly strengthened. In December, the trend reversed and the dollar began to rise, and Ukraine entered the new year of 2024 with an exchange rate of 38 UAH/USD. However, the average annual official exchange rate was lower than both government and non-government forecasts, remaining at UAH 36.6 per dollar.

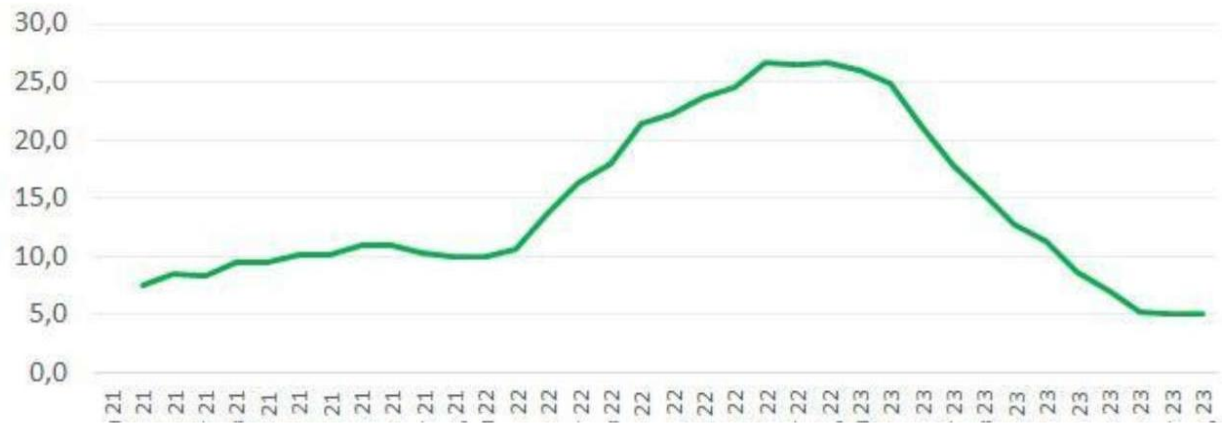
The average annual rate is included in the state budget (UAH 42,2 per dollar)



Inflation

Ukraine entered 2023 with a record high inflation rate, which was accelerated by the war and the printing of the hryvnia to cover military spending. However, inflation was brought under control during the year: regular inflows of foreign aid allowed the government to stop monetary financing (through hryvnia printing) of the budget, and good harvests helped to reduce food prices. In December 2023, inflation stood at 5.1%, almost returning to the pre-war inflation target of 5%.

Consumer price index (to the corresponding month of the previous year, %)

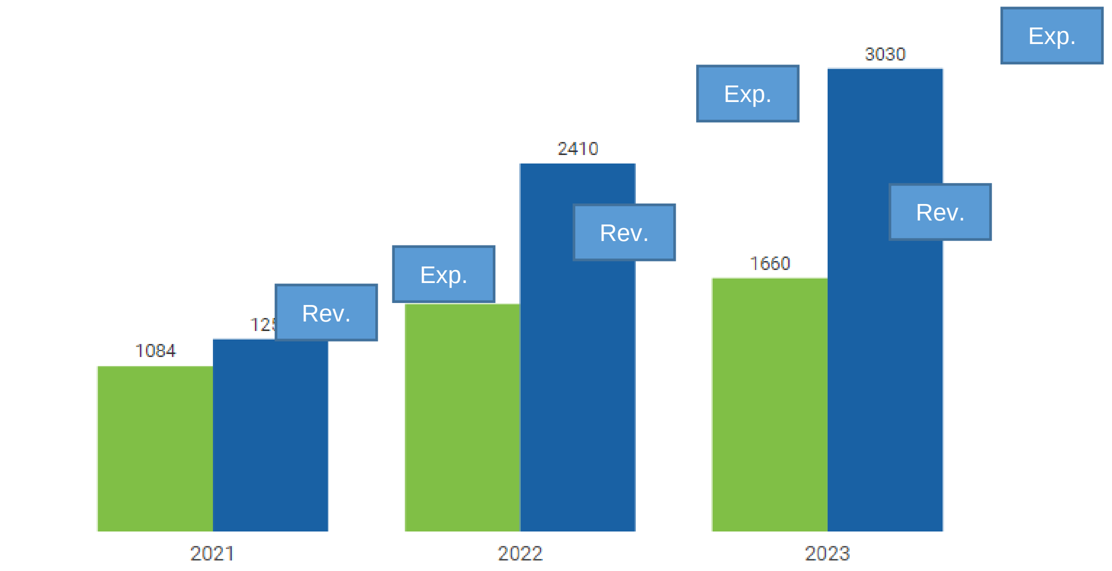


Budget

The Ukrainian budget in 2023 is still a budget of war. About half of the state budget is spent on defense; it is estimated that defense spending will exceed 30% of GDP in 2023. For comparison, the NATO "norm" in peacetime is 2%.

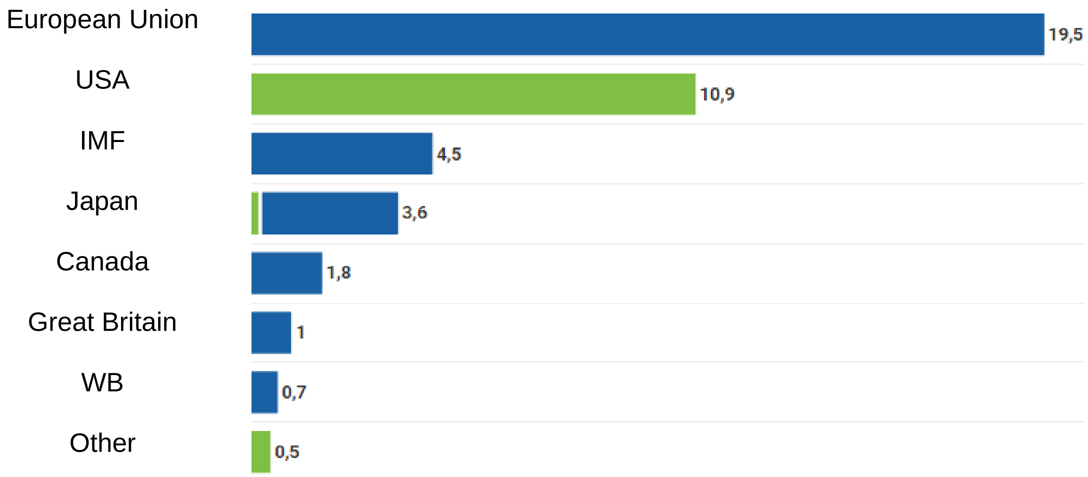
Ukraine's own tax and customs revenues were still not enough to cover all budget expenditures. The difference was covered by foreign financial assistance and the issuance of military bonds.

Revenues and expenditures of the general fund of the state budget, UAH billion



In 2023, Ukraine continued to receive foreign financial assistance - more than in 2022 ($42.5 billion in 2023 vs. $31.1 billion in 2022), and more regularly and predictably. The aid mostly came in the form of loans (63% of all financial assistance) rather than grants; however, these loans were very concessional and necessary for Ukraine, as they allowed it to finance important budgetary needs today.

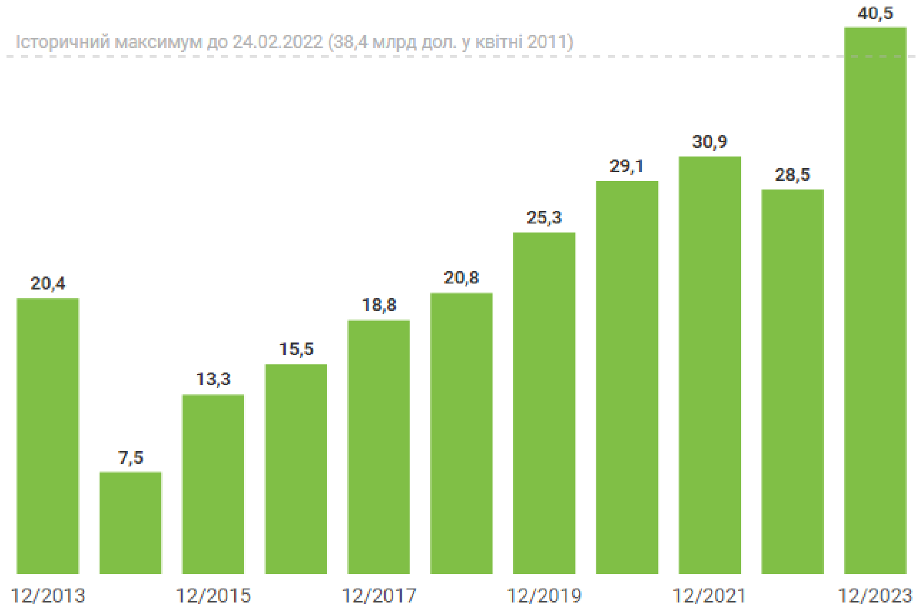
Foreign grants and credits



In total, the state budget's needs for additional financing in 2023 amounted to $59.9 billion, including $47.9 billion for the budget deficit and $11.9 billion for debt repayment. Foreign aid covered 71% of these needs; the rest was financed mainly through the issuance of domestic government bonds.

Thanks to foreign financial assistance, foreign exchange reserves reached historically record levels in 2023. At the end of the year, Ukraine's international reserves amounted to $40.5 billion. This is more than the historical record before the full-scale invasion, when reserves reached their previous peak of 38.4 billion in April 2011. This situation during the war was possible only because of the unprecedented financial support to Ukraine. The high level of reserves is a kind of safety cushion in case of interruptions in the further flow of aid.

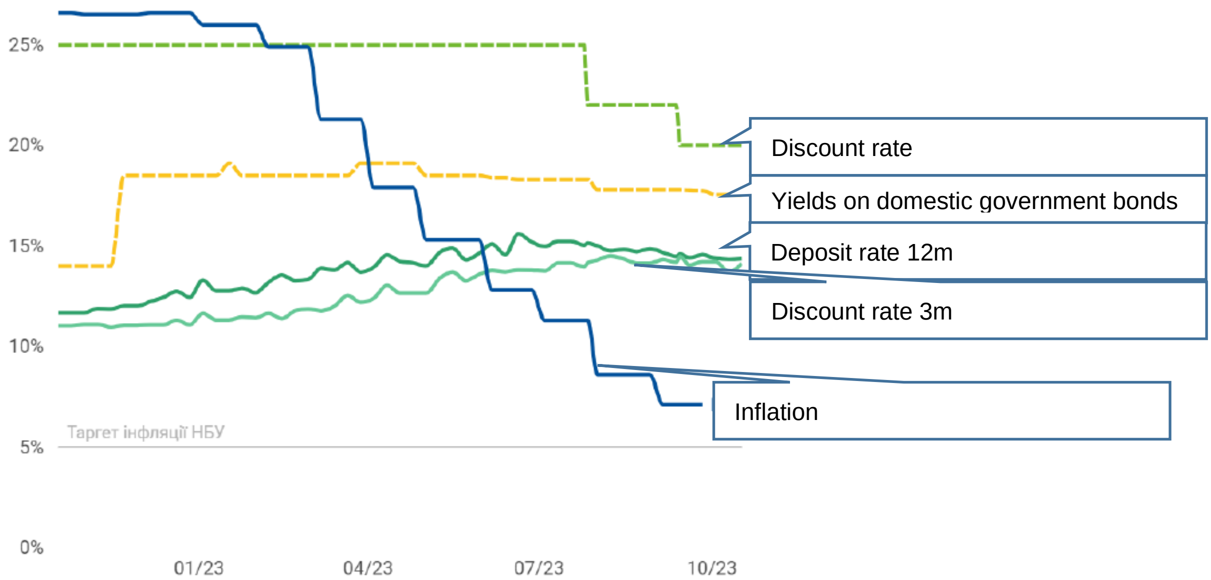
Gross international reserves as of the end of December 2013-2023, USD billion



In 2023, the government raised UAH 566 billion through domestic government bonds, more than twice as much as in 2022. The fiscal gap also narrowed. In 2022, the government spent UAH 133 billion more to redeem previous issues of domestic government bonds than it managed to raise from issuing new domestic debt; in 2023, it managed to refinance the repayment of the old debt and raise another UAH 196 billion on top. However, if we compare the proceeds from new domestic government bonds issues for the year with the costs of repaying the debt on domestic government bonds and budget expenditures for its servicing, the difference was still negative (UAH 3 billion).

Financial sector

In 2023, the key policy rate decreased from 25% to 15%. The yield on one-year hryvnia military bonds decreased to 17.55%. Average interest rates on retail deposits (UIRDs) declined to the 13-14% range, but are above the inflation rate.



The volume of household deposits remained unchanged for hryvnia time deposits and decreased for demand deposits. On the other hand, time deposits in foreign currency showed growth.

Loans to residents increased slightly, but remained generally low. With war risks still present, lending is unlikely to improve significantly without government support or war risk insurance.

In 2022, due to a significant decrease in lending and lower demand for banking services in general, as well as due to the revaluation of their assets due to the hostilities and occupation, bank profits declined.

Instead, 2023 was an extremely profitable year for banks due to monetary policy that provided for high rates on NBU certificates of deposit. To finance government defense spending, a temporary increased bank profit tax was introduced: 50% in 2023 and 25% in 2024-2025.

Migration and the labor market

According to conservative estimates, up to half of the pre-war population of Ukraine, or at least 20 million people, are directly involved in active migration processes caused by Russian aggression.

Approximately 8 million Ukrainians have found safe place in European countries, of which 5 million have been granted temporary protection in one of the host countries. Half of all Ukrainian refugees have settled in Poland and Germany. Forcibly displaced Ukrainians abroad are mostly women and children under the age of 18. Up to 6.5 million Ukrainians are internally displaced persons (IDPs).

Since the beginning of the full-scale invasion, the State Statistics Service has not published unemployment data. The Info Sapiens research agency makes its own estimates of unemployment. Throughout 2023, the trend of a steady decline in unemployment continued. At the same time, at the end of the year, unemployment was still one and a half to two times higher than in early 2022, before the full-scale invasion. Throughout 2023, 20-25 percent of Info Sapiens respondents consistently reported that they were saving money on food, which roughly coincides with the World Bank's poverty estimate for Ukraine.

The number of labor market vacancies steadily recovered throughout 2023, but has not yet reached the level of 2021. On the other hand, the dynamics of job seekers was negative, which is also confirmed by the results of a business survey that claims that the lack of labor is a significant obstacle to business activity.

In the first month of the full-scale war, due to mass layoffs and a slowdown in business activity, many more new workers entered the labor market than employers could accept. Throughout 2022, the labor market dynamics leveled off, and in 2023 the ratio of new job seekers to new vacancies reached the level of 2021.

On the one hand, there were more vacancies in the market overall; on the other hand, there were fewer people willing to take these jobs. The market has stabilized after the initial shock of a full-scale war and is gradually adapting to structural changes in the economy. At the same time, there are fewer and fewer available workers in Ukraine: a significant number of Ukrainians are abroad, and about a million men and women are defending the country in the ranks of the Defense Forces.

In view of the above, the Bank's management conducts constant operational monitoring of its activities and ensures a quick response to current events and changes in the situation. In addition, in assessing possible scenarios, the Bank's management assesses possible losses as acceptable in terms of available capital and the need to maintain it at a sufficient level and such that will not affect the Bank's ability to continue as a going concern.

These separate financial statements reflect management's current assessment of the Ukrainian business environment and the impact of the Ukrainian business climate on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

3. ACCOUNTING POLICIY

Basis of preparation

These separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and requirements of the National Bank of Ukraine on financial reporting by Ukrainian banks under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of premises and investment property, and by the investment securities at fair value through other comprehensive income. The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Going concern. Management prepared these separate financial statements on a going concern basis. In making this judgement management considered the Bank's financial position, current intentions, continuing financial support from the parent company, budgeted profitability of future operations and access to financial resources and analysed the impact of the current financial and economic situation on future operations of the Bank.

Financial instruments – key measurement terms

Depending on their classification, financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the Bank. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held by the Bank and placing orders to sell the position in a single transaction might affect the quoted price.

The quoted market price used to value financial assets is the current bid price; the quoted market price for financial liabilities is the current asking price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period (Note 34).

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition

Financial instruments at fair value through profit or loss are initially recognised at fair value. Transactions costs that are attributable to the acquisition or issue of such financial assets are reflected as expenses at the date they are incurred.

All other financial instruments are initially recognized at fair value plus/minus transaction costs. Transaction costs and other payments that are directly attributable to the recognition of financial instruments are reflected as discount (premium).

The best indication of the fair value of a financial instrument at initial recognition is the transaction price-compensation paid or received for the corresponding financial instrument.

The transaction costs include fees paid to agents, consultants, brokers and dealers, regulatory bodies, stock exchanges, taxes etc.

The transaction costs and fee and commission income which are an integral part of the financial instrument yield are included in initial value of the financial instrument and are included in the effective interest rate.

All transactions in the acquisition or sale of financial assets that provide for delivery during the period specified by law or market traditions ("ordinary" sale) are recognised at the date of settlement. All other acquisition transactions are recognised when the Bank becomes a party to the contractual provisions of the instrument.

Financial assets classification: principal classification categories. The Bank classifies financial assets in the following categories:

- financial assets measured at amortised cost (AC);
- financial assets measured at fair value through other comprehensive income (FVOCI);
- financial assets measured at fair value through profit or loss (FVTPL).

The Bank classifies financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income only if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and ·
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial assets at fair value through other comprehensive income, gains and losses are recognised in other comprehensive income, except for those items recognised in profit or loss in the same way as for financial assets measured at amortised cost:

- interest income calculated using the effective interest method;
- expected credit losses and reversal of impairment losses; and
- foreign exchange gains and losses.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Capital instruments are classified in a fair value accounting model with revaluation through profit/loss. Capital instruments that are not intended for sale may be classified as valuation at fair value with the recognition of revaluation in other comprehensive income without subsequent reclassification. At the time of derecognition of such instruments, the revaluation accumulated in the capital is not reclassified as profit/loss, but is transferred to another item of capital. All other equity instruments are accounted for at fair value, reflecting revaluation through profit / loss.

All financial liabilities are measured at amortised cost, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when the transfer of a financial asset does not comply with the terms of a withdrawal or when the principle of continued participation is applied;
- financial guarantee contracts, pledges, avals;
- loan commitments at a lower rate than the market;
- conditional indemnity recognized by the Bank as a purchaser in the business combination to which IFRS 3 «Business Combinations» applies. Such conditional consideration is subsequently measured at fair value through profit or loss.

Financial assets – classification and subsequent measurement: business model.

The Bank makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information that is considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The main types of business models, within which financial assets are held are the following:

- business model for holding financial assets to collect their contractual cash flows (held to collect);
- business model for holding financial assets to collect their contractual cash flows as well as to sell them (held to collect and for sale);
- other business models including: trading, managing assets on the fair value basis and maximising cash flows through sale.

In the case of a business model "held to collect" sales are not a blocking factor for classification to this model. Information about sales activity is not considered by the Bank in isolation, but as part of a holistic assessment of how the Bank stated objective for managing the financial assets is achieved and how the cash flows are realised. Therefore, the Bank consider the frequency, volume and timing of sales in prior periods, the reasons for these sales. The following sales may be consistent with the "held to collect" business model:

- deterioration of credit quality to a level that is not acceptable to the Bank under the risk management policy;
- getting out of crisis.

Also, the classification for the model "held to collect" is not contrary to sales made at the time of maturity of the asset under the terms of the contract, insignificant by volume or frequency sales.

The significance of sales is determined by comparing the volume of the sold portfolio to the total size of the portfolio attributed to this model at the beginning of the reporting period, and by comparing the result of assets sale to the revenue generated by such a portfolio. For the analysis of the volume of sales, aggregation is carried out for a period equal to the average maturity of the portfolio.

If sales volumes will substantially exceed those expected by the Bank at the time of evaluating business models, this will not lead to changes in business models for existing assets, but will have an impact on the definition of a business model, for new assets generated by the Bank.

For a business model, the goal of which is achieved by model for holding financial assets to collect their contractual cash flows as well as to sell them, sales volumes are not a significant criterion - even a significant volume and amount of them is allowed, however the purpose of sale is considered by the Bank.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Financial assets – classification and subsequent measurement – cash flow characteristics. Cash flows are tested for their compliance with the basic terms of lending, namely, the test evaluates whether the contract for a financial asset provides for receiving cash flows on certain dates, which are exclusively payments of the principal amount and interest on the outstanding part of the principal amount.

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. When conducting the assessment, the Bank analyses:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank’s claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

Reclassification of financial assets. Reclassification of financial assets is carried out prospectively only in case of changing the business model within which they are held from the beginning of the first reporting period after the change. If the business model changes, then all financial assets affected by such a change are subject to reclassification from the first day of the next reporting period (year). All new assets that will be recognised from the date of change in the business model should be immediately classified according to the new business model in force at the time of initial recognition of such assets.

Reclassification of financial liabilities. The classification of financial liabilities is not subject to change after initial recognition.

Measurement of expected credit losses (ECLs). ECLs are a probability-weighted estimate of credit losses and are measured as follows:

- *financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls* – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive;
- *financial assets that are credit-impaired at the reporting date*: the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments*: the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive;
- *financial guarantee contracts:* the present value of the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

The Bank measures expected credit losses and recognizes loss allowances at each reporting date. The Bank measures loss allowances at an amount equal to lifetime ECL or 12-month ECL. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Measurement of ECLs reflects: (i) an unbiased and probability-weighted sum determined by estimating the range of possible outcomes, (ii) the time value of money and (iii) all reasonable information about past events, current conditions and forecasted future economic conditions, available at the reporting date without undue cost and efforts.

Financial instruments that are not subject to a significant increase in credit risk compared to the date of initial recognition are classified to the first stage of impairment by The Bank.

Financial instruments that show signs of a significant increase in credit risk compared to the date of initial recognition and are not in default are classified to the second stage of impairment.

Financial assets in the state of default are classified by the Bank to the third stage of impairment. Financial assets that are credit-impaired on initial recognition are classified as purchased or originated financial assets. The Bank does not recognize loss allowances at the date of initial recognition of purchased or originated credit impaired financial assets – gross carrying value is its fair value. Initially, expected credit losses are included in credit-adjusted effective interest rate. Any changes in expected credit losses are recognized in profit or loss even if such changes exceed the amount of the previously formed loss allowances for such a financial asset.

Loss allowances are always recognized for purchased or originated credit-impaired financial assets on a lifetime basis.

Financial assets that are credit-impaired are defined as financial assets for which there is objective evidence of a loss or there are one or more events that have a negative impact on the expected future cash flows of such a financial asset.

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Definition of default. The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising collateral (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank (for balances with other banks default is recognized if a financial asset is 30 days past due). Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding;
- the restructuring of the loan associated with financial difficulties of the borrower;
- initiation of litigation, liquidation or bankruptcy proceedings of the borrower.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenants;

- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Bank; and
- based on data obtained from external sources;
- start of liquidation or bankruptcy procedure for the borrower.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The rate of recovery. The Bank sets a certain period necessary to restore the quality of financial assets. The terms of the quality recovery period are deemed to be fulfilled if, during a 6-months period from the date the Bank introduces measures to restore the ability of the counterparty to fulfil its obligations, there are no signs of impairment, compliance with obligations to the Bank is ensured.

Significant increase in credit risk. When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forwardlooking information.

When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes history of up-to-date payment performance against the modified contractual terms. The Bank primarily identify whether a significant increase in credit risk has occurred for an exposure by analyzing indicators that are:

- the borrower is more than 30 days past due but less than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding;
- breaches of covenant, the identification of threatening features that are likely to affect the quality of debt service;
- based on data developed internally and obtained from external sources;
- the period of credit quality restoration has ended and there are no prerequisites for attributing them to impaired ones after restructuring (forbearance);
- the value of the LtV (loans to collateral ratio) exceeds 200% (for individual mortgages);
- for banks a significant increase in credit risk occurs if the borrowers' rating has declined by 3 notches.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired.

Inputs into measurement of ECLs. The key inputs into the measurement of ECLs are likely to be the term structures of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are derived from internally developed statistical models and other historical data used in models for calculating regulatory capital. They are adjusted to reflect forward-looking information. PD estimates are estimates at a certain date, which are calculated based on statistical models and assessed using tools tailored to the various categories of counterparties and exposures.

PD estimates are based on migration matrices, which are based on the type of credit product and payment periods.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties after the default date.

The amount at risk in the event of default (EAD) is the expected amount of credit risk at the date of default. This indicator is calculated by the Bank based on the current EAD value and its possible changes allowed under the agreement, including depreciation and early repayment. For a financial asset, the value of the EAD is the gross carrying amount in the event of default. For loan obligations and financial guarantee agreements, the EAD value takes into account the amount received, as well as possible future amounts that can be received or repaid under the agreement, which will be estimated on the basis of historical observations and forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period.

For overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Bank measures ECLs over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECLs. These include a reduction in limits and cancellation of the facility.

Where modelling of a parameter is carried out on a collective basis, the financial instruments will be grouped on the basis of shared risk characteristics that include:

- instrument type;
- client type;
- period of debt overdue;
- geographic location of the borrower;
- loan currency

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Forward-looking information. The Bank incorporates forward-looking information into its measurement of ECLs. This assessment is based on external information. External information may include economic data and forecasts published by governmental bodies, and selected private sector and academic forecasters, such as of Ministry of Economic Development and Trade of Ukraine, State Statistics Service of Ukraine, National Bank of Ukraine.

The Bank also periodically carries out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variable and credit risk and credit losses. This key driver is forecasts of real GDP change, forecasts of unemployment and dynamics of the calculated wages, including per 1 employee.

Presentation of allowance for ECL in the separate statement of financial position

Loss allowances for ECL are presented in the separate statement of financial position as follows:

- *financial assets* measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts:* generally, as a provision;
- *where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component*: the Bank presents a combined loss allowance for both components. The combined amount is presented

as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

- *debt instruments measured at FVOCI*: no loss allowance is recognised in the separate statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Collateral. When calculating the amount of expected credit losses for the credit-impaired assets, the Bank accepts the value of a collateral that meets the established eligibility criteria established by the Bank and determined by the regulator as a means of credit quality improving.

Write-off of financial assets. If the Bank does not have reasonable expectations for full or part of the recovery of a financial asset, the gross carrying amount of that financial asset is reduced. Such a reduction is considered as a (partial) derecognition of a financial asset**.** The Bank may write-off financial assets that are still subject to enforcement activity when the Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition. The Bank derecognises financial assets when:

- the contractual rights to the cash flows from the financial asset expire;
- it transfers the financial asset and the transfer qualifies for derecognition;
- financial assets are written-off from the reserve.

The Bank transfers a financial assets only if:

- transfers the contractual rights to receive the cash flows of the financial asset, or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets all of the following conditions:
  - there is no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
  - the Bank is prohibited by the terms of the transfer contract from selling or pledging the original asset to the eventual recipients for the obligation to pay them cash flows;
  - the Bank has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. Interest earned on such investments is passed to the eventual recipients.

When the Bank transfers a financial asset, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. In this case:

- if the Bank transfers substantially all the risks and rewards of ownership of the financial asset, the Bank derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer;
- if the Bank retains substantially all the risks and rewards of ownership of the financial asset, the Bank continues to recognise the financial asset;
- if the Bank neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Bank determines whether it has retained control of the financial asset.

The control of the transferred asset is not available if the party to whom the asset is transferred has the real ability to sell it to an unrelated third party and may sell this sale unilaterally without the need to impose additional restrictions on such transfer.

If the control over a financial asset is not retained, the recognition of such an asset is terminated, otherwise, if the control over the financial asset is retained, its recognition continues to be recognized within the further continuing involvement.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as at FVOCI is not reclassified in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Significantly different are the conditions under which the net present value of the cash flows under the new terms discounted using the original effective interest rate (for a floating interest rate interest rate, the effective interest rate that was calculated at the last change in the nominal interest rate) differs by at least 10% of the discounted present value of cash flows remaining before the maturity date of the original financial liability.

Any expense or remuneration is the income/expense from derecognition if the changes in the terms of a financial liability are reflected in the accounting as a repayment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid is recognised in profit or loss.

If the exchange or amendment of debt obligations (modification) does not result in the cessation of recognition, any costs and remunerations from the exchange / modification adjust the carrying amount of the financial liability and are amortized over the term of the new liability (effective interest rate is not recalculated, but adjusted to reflect these costs/remunerations).

Modification of financial assets. Modified financial asset – an asset by which the contractual cash flows provided have been reviewed by agreement or modified.

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as ‘substantial modification’), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

The Bank performs a quantitative and qualitative evaluation of whether the modification is substantial, that is whether the cash flows under initial financial asset differ significantly from cash flows from modified financial asset or the asset that has replaced initial financial asset. To determine the type of modification and its consequences, a quantitative and qualitative analysis of changes in terms of the contract, and the combined effects of qualitative and quantitative factors, is conducted. If the cash flows are significantly different, the rights to the contractual cash flows for the original financial asset are considered to have expired. In making this assessment, the Bank is guided by the derecognition of financial liabilities by analogy.

The Bank concludes that the modification of the conditions is significant, based on such qualitative factors:

- change the currency of the financial asset;
- change of the borrower, except for changes due to the death of the borrower;
- change of terms of financial asset that lead to non-compliance with the SPPI criterion (for example, adding a conversion condition).

If the modification of the terms of the loan agreement was so significant that it leads to the recognition of a new asset and at the same time the asset fulfills the conditions of classification to default - the new asset is classified as initially impaired.

Changes in the value of cash flows from existing financial assets or financial liabilities are not considered to be modifications if they are provided by the original terms of the contract.

As a part of credit risk management the Bank reviews the terms of loans to customers with financial difficulties ("the practice of reviewing the terms of credit agreements") in order to maximize the return on the original contractual terms rather than to originate a new asset. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). As a result, the amount of the contracted cash flows remaining at the time of the modification is recognized as an initial financial asset is likely to be equivalent to the value of newly modified cash flows under the contract. The Bank performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

For loans in which the borrower has an option to prepay the loan at par without significant penalty, the Bank treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Modification of financial liabilities. The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss. Compensation paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

The Bank performs a quantitative evaluation of whether the modification is substantial. For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument to take into account the influence of such commissions.

Cash and funds in the National Bank of Ukraine. Cash and funds in the National Bank of Ukraine are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and funds in the National Bank of Ukraine include unrestricted balances with the NBU and deposit certificates. Funds restricted are excluded from cash and funds in the National Bank of Ukraine. Cash and funds in the National Bank of Ukraine are carried at amortised cost.

***Due from other banks*.** Due from other banks are accounted for when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from banks are carried at amortised cost.

***Securities*.** The 'securities' caption in the separate statement of financial position includes:

- debt securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;

- debt securities measured at FVOCI; and
- equity securities designated as at FVOCI.

Loans and advances to customers. 'Loans and advances to customers' caption in the separate statement of financial position includes:

- loans to customers measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- net investment amounts in finance lease

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Bank in settlement of overdue loans. The assets are initially recognized at fair value when acquired (but not higher than carrying value of the settled overdue loans) and included in premises and equipment, other financial assets or inventories within other assets depending on their nature and the Bank's intention in respect of recovery of these assets and are subsequently accounted for in accordance with the accounting policies for these categories of assets.

Financial guarantees and loan commitments. The Bank has credit related commitments including loan commitments, letters of credit and financial guarantees. Financial guarantees – are non-cancellable guarantee to make payments in the case when a client fails to fulfil its obligations to third parties. Financial guarantees has the same risk as loans.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Bank has issued no loan commitments that are measured at FVTPL.

For other loan commitments, the Bank recognises a loss allowance.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

Investment property. Investment property is property held by the Bank to earn rental income or for capital appreciation, or both. Investment property includes assets under construction for future use as investment property.

The same property can be divided into structurally separated parts used for different purposes: one part – to receive rental income or equity increase; the other part – for using in the Bank's activity or for administrative purposes.

Investment property is initially recognised at cost of acquisition, including transaction costs, and subsequently remeasured at fair value to reflect market conditions at the end of the reporting period.

Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs. The fair value of the Bank's investment property is determined based on reports of the internal appraiser who holds relevant professional qualification and has recent experience in valuation of property of similar location and category. The basis used for the valuation was market value.

Earned rental income is recorded in profit or loss for the year within other operating income.

Property, plant and equipment. Property, plant and equipment are stated at cost or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required.

Since 2008, land and buildings are accounted for under the revaluation model. At the date of revaluation accumulated depreciation of buildings was eliminated against the gross carrying amount of the asset and the net amount was recalculated to the revalued amount of the asset.

Buildings held by the Bank are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the separate statement of profit or loss and other comprehensive income, in which case the increase is recognised in the separate statement of profit or loss and other comprehensive income. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for buildings included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset and through annual depreciation of the revaluation reserve.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of premises, leasehold improvements and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains or losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation. Land and construction in progress are not depreciated. Depreciation of other property, plant and equipment and assets in the form of right-of-use is calculated using the straight-line method in order to evenly reduce the initial cost to the residual value over their estimated useful lives according to the following standards:

	Useful lives, years
Buildings	70
Furniture and fixtures	5-15
Motor vehicles	7
Computers and equipment	5-15
Leasehold improvements	over the term of the underlying lease

Intangible assets. The Bank's intangible assets have the definite useful life and primarily include capitalised computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is depriciated on a straight line basis over expected useful lives of no more than 10 years.

Lease in which the Bank acts as a lessee

When concluding a contract, the Bank determines whether the contract or a separate part of it is a lease agreement. A contract or a separate part of it is a lease agreement if it transfers the right to control the use of a certain asset for a certain period of time in exchange for compensation. The Bank reevaluates whether the contract or a separate part of it is a lease agreement only if the terms of the contract are revised. If the contract or a separate part of it is a lease agreement, the Bank considers each lease component as a lease agreement, separately from the non-lease components of the contract.

The Bank defines the lease term as a non-canceled lease period, taking into account:

- periods covered by the lease extension option if the lessee is reasonably confident that he will take advantage of such an opportunity; and ·
- periods covered by the option for early termination of the lease, if the lessee is reasonably sure that he will not take advantage of such an opportunity.

The Bank reviews the lease term in the event of a change in the lease period that has not been canceled. The lease term starts from the start date of the lease, i.e. the date when the lessor makes the underlying asset available for use by the lessee.

Initial recognition. As of the start date of the lease, the Bank recognises the asset as a right of use and an obligation under the lease agreement. The right-of-use asset is valued at cost.

As of the start date of the lease, the Bank estimates the liabilities under the lease agreement in the amount of the present value of lease payments not yet paid on that date. Lease payments are discounted by applying the interest rate stipulated in the lease agreement. If such a rate cannot be easily determined, the Bank applies the discount rate of the National Bank of Ukraine.

Lease payments taken into account when assessing lease obligations for the right of use the underlying asset during the lease term include:

- fixed payments less any incentives to enter into a lease agreement to be received; ·
- variable lease payments based on an index or rate that was originally estimated using such an index or rate at the start date of the lease;
- amounts to be paid by the Bank under residual value guarantees;
- the exercise price of an asset purchase option, if the Bank is reasonably confident that it will take advantage of such an opportunity;
- penalties for termination of the lease, if the terms of the lease reflect the Bank's exercise of the option to terminate the lease early.

The Bank uses simplification and does not recognize assets under the right of use on the balance sheet in relation to:

- short-term lease agreements;
- lease agreements under which the underlying asset has a low value.

When applying this simplification, short-term lease agreements with a lease term of up to 365 days inclusive are considered. Leases that provide an option to acquire an underlying asset are not considered short-term. The Bank applies the threshold of UAH 150,000 when determining the underlying asset with a low value. Under leases to which the Bank applies exemptions, costs are recognised in the period to which they relate.

Subsequent measurement. After the start date of the lease, the Bank evaluates all assets under right of use, except those that meet the definition of investment property, at cost less accumulated depreciation, accumulated impairment, adjusted for the amount of revaluation of lease liabilities reflected against the cost of the asset under right of use.

Depreciation of a right-of-use asset is carried out from the start date of the lease until the end of the useful life of the underlying asset, if the lease transfers ownership of the underlying (leased) asset to the Bank at the end of the lease term, or if the cost of the right-of-use asset reflects the fact that the Bank will take advantage of the opportunity to purchase it. In other cases, the Bank amortises the right-of-use asset from the start date of the lease to an earlier of the following two dates: the end of the useful life of the right-of-use asset and the end of the lease term. Other requirements for depreciation and recognition of impairment of an asset by right-of-use are similar to those applied to own property, plant and equipment.

Revaluation of lease liabilities.

The Bank changes the valuation of lease liabilities by discounting the revised lease payments using the revised discount rate if any of the conditions are met:

- change in the lease term (due to a revision of the probability of executing an option to extend or terminate the lease ahead of schedule);
- change in the assessment of the possibility of acquiring the underlying asset;
- change in payments due to changes in the floating interest rate..

The Bank changes the valuation of lease liabilities by discounting revised lease payments using an unchanged discount rate if any of the conditions are met:

- change in the amounts expected to be paid under the liquidation value guarantee;

- changes in future lease payments as a result of changes in the index or rate used to determine such payments. The Bank reflects the amount of revaluation of the lease liability as an adjustment of the right-of-use asset (except in the case of a decrease in the carrying amount of the right-of-use asset to zero). If the carrying amount of the right-of-use asset has decreased to zero and the lease liability is further reduced, the Bank recognizes the remaining amount as part of the profit or loss.

Modifications to the lease agreement

The Bank considers the modification of the lease agreement as a separate lease agreement, if the conditions are met:

- the modification expands the scope of the lease agreement by adding the right to use one or more underlying assets;
- contract compensation is increased by an amount corresponding to the price of an individual contract for an increased volume, with appropriate adjustments reflecting the circumstances of a particular contract.

For a modification of a lease agreement that is not considered as a separate lease agreement, as of the effective date of the modification, the Bank:

- distributes compensation specified in the modified lease agreement;
- determines the terms of the modified lease;
- revalues the lease liability by discounting the revised lease payments using the revised discount rate.

The revised discount rate is defined as the interest rate provided for in the lease agreement for the remaining lease term or as the additional borrowing rate of the lessee on the effective date of the lease modification, if the interest rate provided for in the lease cannot be easily determined.

For a modification of a lease agreement that is not considered as a separate lease agreement, as of the effective date of the modification, the Bank:

- educes the carrying amount of the right-of-use asset by the amount of partial or complete termination of the lease for modification, which reduces the scope of the lease agreement; any profit or loss associated with partial or complete termination of the lease is recorded under "other administrative and operating costs" of the Income statement;
- reflects adjustments to the right-of-use asset for all other modifications to the lease agreement.

Leases in which the Bank acts as a lessor

The Bank, as a lessor, classifies each lease as a finance or operating lease. This classification is made as of the date of the lease agreement or the date of commitment by the parties to the agreed basic terms of the lease agreement, and is revised only if the lease agreement is modified. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. Otherwise, the lease is classified as operating. The classification of a lease as financial or operating depends on the substance of the transaction and not on the form of the contract.

The Bank leases its investment properties, including commercial real estate owned by it, as well as leased real estate. The Bank classified these leases as operating leases because it does not transfer virtually all of the risks and benefits of owning assets.

Some property leases contain extension options exercisable by the Bank. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Bank and not by the lessors. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Bank doesn’t expect any penalties as the leases will either be extended or lease liabilities will be fulfilled in accordance with the terms of the contract.

Accounts receivable under finance leases are included in loans and advances to customers.

Due to other banks, customer accounts, due to other financial institutions and debt securities. Due to other banks, customer accounts, due to other financial institutions and debt securities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Income taxes. In these separate financial statements income taxes have been provided for in accordance with Ukrainian legislation enacted or substantively enacted by the end of the reporting period. The income tax charge/(credit) comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period date which are expected to apply to the period when the temporary differences will reverse. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is not recognised for retained earnings after acquisition or other changes in the reserves of subsidiaries whose dividend policy is controlled by the Bank if it is quite probable that the difference will not be repaid through dividends or otherwise in the future.

Uncertain tax positions. The Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of each reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Accounts payable for operating activities and other accounts payable Accounts payable for operating activities are recognised when the counterparty has fulfilled its obligations under the agreement and are carried at amortised cost.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Interest income and expense. The Bank recognises interest income and expense in profit or loss using the effective interest method during the period from the date of initial recognition to the date of derecognition or reclassification of financial instruments. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset; or the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated creditimpaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a creditadjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

Credit-adjusted effective interest rate – is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the amortised value of the financial asset which is purchased or originated credit-impaired asset. When calculating the credit-adjusted effective interest rate, the Bank estimates all contractual terms of the financial asset and expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income is calculated by applying the effective interest rate applied to the gross carrying amount of the financial asset at amortised cost except:

- purchased or originated credit-impaired assets. For such assets interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset from the date of initial recognition; the calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves;

- financial assets which are not purchased or originated credit-impaired assets, but subsequently have become credit-impaired. In this case, the Bank applies effective interest rate to the amortised cost of the asset in the subsequent reporting periods after the date of their recognition as credit-impaired. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

The effective interest rate is revised as a result of periodic reestimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

Interest income calculated using the effective interest method presented in the separate statement of profit or loss and other comprehensive income includes:

- interest income calculated using the effective interest method on financial assets measured at amortised cost;
- interest calculated using the effective interest method on debt instruments measured at FVOCI.

Other interest income presented in the separate statement of profit and loss and other comprehensive income includes interest income on non-derivative debt financial instruments measured at FVTPL and net investments in finance leases.

Interest expense presented in the separate statement of profit or loss and other comprehensive income includes financial liabilities measured at amortised cost.

Fee and commission income and expense. Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Commission income on credit related commitments at market rates are integral part of effective interest rate, if it is probable that the Bank will enter into a specific loan agreement and will not plan to realize the loan within a short period of time after it is provided. If there is no high probability that it will be issued to the borrower within the framework of the loan commitment, then the commission fees for the loan are recognized evenly over the duration of the loan commitment.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

All other payments, commission and other income and expenses are generally accounted for using the accrual method depending on the degree of completeness of the particular transaction, which is defined as the proportion of the actual service provided in the total amount of services to be provided. Other commission income, including commission fee for servicing accounts, remuneration for investment management services, other commission fees, are recognized as the services are provided.

Commissions due to negotiation or participation in third-party transaction negotiations (for example, purchase of loans, shares or other securities, or acquisition or sale of companies) that the Bank earns upon completion of the transaction are recognised after the completion of the transaction.

Foreign currency translation. The functional currency of the Bank and its subsidiary is the currency of the economic environment in which the Bank and its subsidiary operate. The functional and presentation currency is the national currency of Ukraine, hryvnias.

Monetary assets and liabilities are translated into the functional currency at the official exchange rate of the NBU at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into functional currency at year-end official exchange rates of the NBU are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

The principal rates of exchange used for translating foreign currency balances were as follows:

	31 December 2023, UAH	**31 December 2022, UAH**
1 US Dollar (USD)	37,9824	36,5686
1 Euro (EUR)	42,2079	38,9510

1 zloty (PLN)	9,7333	8,2984

Offsetting. Financial assets and liabilities are offset and the net amount reported in the separate statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off 1) must not be contingent on a future event and 2) must be legally enforceable in all of the following circumstances: (а) in the normal course of business, (б) the event of default and (в) the event of insolvency or bankruptcy.

Staff costs. Wages, salaries, contributions to the Ukrainian state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to management being the Bank's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately. Geographical segments of the Bank have been reported separately in these separate financial statements based on the ultimate domicile of the counterparty. The ultimate domicile and the actual place of business of the counterparties generally coincide.

Changes in presentation of financial statements. In order to improve the presentation of financial information in the separate statement of financial position, the liability for payment of employee leave was excluded from the line item "Provisions" and transferred to the line item "Other non-financial liabilities". The comparative information as at 31 December 2022 was also amended as presented in the table below:

In thousands of hryvnias	**As originally reported**	**Adjustments**	**After adjustments**
Other non-financial liabilities	126 509	16 330	142 839
Provisions	50 095	(16 330)	33 765

In the separate statement of profit and loss and other comprehensive income, the item "Interest income calculated using the effective interest method" is separated "Result from modification of financial assets". Adjustments to comparative information for 2022 are presented in the table below

In thousands of hryvnias	**As originally reported**	**Adjustments**	**After adjustments**
Interest income calculated using the effective interest method	2 890 570	28 849	2 919 419
Result from modification of financial assets	-	(28 849)	(28 849)

Presentation of separate statement of financial position in order of liquidity. The table below presents an analysis of assets and liabilities by maturity:

	31 December 2023			**31 December 2022**		
	Amounts to be recovered or settled per contract			**Amounts to be recovered or settled per contract**		
In thousands of hryvnias	**Within 12 months after the reporting period**	**After 12 months after the reporting period**	**Total**	**Within 12 months after the reporting period**	**After 12 months after the reporting period**	**Total**
Assets						
Cash and funds in the National Bank of Ukraine	15 847 455	-	15 847 455	10 645 808	-	10 645 808
Due from other banks	3 930 932	-	3 930 932	5 313 436	-	5 313 436
Loans and advances to customers	6 143 268	6 324 826	12 468 094	5 948 895	6 556 707	12 505 602
Securities	13 890 662	8 048 784	21 939 446	8 245 547	758 627	9 004 174
Current income tax prepayment	203 276	-	203 276	4 544	-	4 544
Deferred Income tax asset	-	104 132	104 132	-	41 212	41 212
Investments in subsidiaries	-	35 000	35 000	-	10 000	10 000
Investment property	-	8 863	8 863	-	8 138	8 138
Property, plant and equipment	-	815 466	815 466	-	836 223	836 223
Intangible assets	-	313 007	313 007	-	224 275	224 275
Other financial assets	38 456	-	38 456	244 159	-	244 159
Other assets	181 945	-	181 945	132 936	-	132 936
Total assets	**40 235 994**	**15 650 078**	**55 886 072**	**30 535 325**	**8 435 182**	**38 970 507**
Liabilities						
Due to other banks	1 745 849	-	1 745 849	971 551	-	971 551
Customer accounts	46 343 032	121 280	46 464 312	32 915 548	96 968	33 012 516
Due to other financial institutions	1 014	99 738	100 752	102 303	-	102 303
Current income tax liabilities	1 007 198	-	1 007 198	12 877	-	12 877
Other financial liabilities	312 665	88 768	401 433	543 870	112 849	656 719
Other non-financial liabilities	264 082	-	264 082	142 839	-	142 839
Provisions	33 766	-	33 766	33 765	-	33 765
Total liabilities	**49 707 606**	**309 786**	**50 017 392**	**34 722 753**	**209 817**	**34 932 570**

New or Revised Standards and Interpretations

The Bank applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2023. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 «Insurance Contracts»

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach)
- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

This standard is not applicable to the Bank.

Amendment to IAS 8 – «Changes in Accounting Estimates and Errors»

The amendments explain the difference between changes in accounting estimates and changes in accounting policies and error correction. In addition, the document explains how organisations use measurement methods and raw data to develop accounting estimates.

It is expected that this amendment will not significantly affect the Bank.

Amendment to IAS 1 and Practice Statement 2 – «Disclosure of accounting policies»

The amendments to IAS 1 and the practical expedient to apply IFRS 2, Making Materiality Judgments, provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments are intended to help entities provide more useful disclosures about accounting policies by replacing the requirement for entities to disclose "significant accounting policies" with a requirement to disclose "material accounting policies" and by adding guidance on how entities should apply the concept of materiality when making accounting policy disclosure decisions.

These amendments affected the Bank's disclosure of accounting policies, but not the measurement, recognition or presentation of any items in the Bank's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The amendments to IAS 12 "Income Taxes" narrow the scope of the initial recognition exemption so that it no longer applies to transactions that give rise to the same taxable and deductible temporary differences, such as leases and decommissioning obligations.

These amendments did not have any impact on the Bank's separate financial statements.

Amendments to IAS 12 - International Tax Reform - Base Erosion and Profit Shifting (BEPS) Rule

The amendments to IAS 12 were made in response to the OECD's BEPS under-taxed payments rule and include:

- A mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

These amendments did not have any impact on the Bank's separate financial statements.

New accounting provisions

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 16 - Lease Obligations on Sale and Leaseback

The amendments to IFRS 16 require a seller-lessee to apply the subsequent measurement requirements for lease liabilities unrelated to a sale and leaseback transaction to lease liabilities arising from a leaseback in a way that it recognises no amount of the gain or loss related to the right of use that it retains.

The amendments are effective for annual periods beginning on or after January 1, 2024, and must be applied retrospectively to sales and leases entered into after the date of initial application of IFRS 16. Early adoption is permitted, and disclosures must be made.

The amendments are not expected to have any material impact on the Bank's separate financial statements.

Amendments to IAS 1 - Classification of liabilities as current or non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69-76 of IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments clarify

- what a right to defer settlement means;

- the right to defer settlement must exist at the end of the reporting period;

- this classification is not affected by whether or not an entity will exercise its right to defer settlement;

- the terms of the liability will not affect its classification only if the embedded derivative in the convertible liability is itself an equity instrument.

In addition, disclosures are now required when a liability arising from a loan arrangement is classified as non-current and the entity's right to defer repayment is conditional on fulfilling a future condition for twelve months.

The amendments are effective for annual periods beginning on or after January 1, 2024, and must be applied retrospectively.

The Bank is currently assessing the impact of the amendments on its current practice and evaluating whether existing loan agreements may require renegotiation.

Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements

In May 2023, the IASB issued amendments to IFRS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier financing arrangements and require additional disclosures about such arrangements. The disclosure requirements in the amendments are intended to help users of financial statements understand the impact of supplier financing arrangements on an entity's liabilities, cash flows and liquidity risk.

The amendments are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted, and disclosures should be made.

The amendments are not expected to have a material impact on the Bank's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIY

The Bank makes estimates and assumptions that affect the amounts recognised in the separate financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the separate financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Expected credit losses (impairment) of financial instruments: an assessment whether there has been a significant increase in credit risk compared to the date of initial recognition, and including forward-looking information in the measurement of expected credit losses.

According to the requirements of IAS 9, the Bank applies an expected credit loss model that provides for timely reflection of deterioration or improvement in the credit quality of financial instruments, taking into account available information and forecasts for the future. The amount of expected credit losses recognized by forming an estimated provision for impairment depends on the state of impairment (deterioration of credit quality) since the initial recognition of the financial instrument.

The process of estimating expected credit losses under IFRS 9 consists of the following steps:

1) analysis of the level of credit risk regarding the presence of a significant increase in credit risk or the occurrence of a default event from the date of initial recognition and assignment to the appropriate stage of impairment;

2) calculation of the amount of expected credit losses (estimated provision for impairment)

In order to estimate the amount of expected losses in the Bank, 2 approaches are used:

1) assessment of the amount of expected credit losses on an individual basis – for individually significant banking operations for which default is recognised;

2) assessment of the amount of expected credit losses on a group basis – for individually non-significant banking operations and individually significant current operations for which no default was detected

In accordance with the requirements of IFRS 9 for the purposes of measuring expected credit losses, financial instruments are classified into one of three stages of impairment, based on how significantly the level of credit risk for the financial instrument has changed at the reporting date compared to the date of its initial recognition.

The key inputs into the measurement of ECLs are likely to be the term structures of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

PD estimates are calculated according to statistical models and estimates using tools adapted to different categories of counterparties and credit risk exposures. PD estimates are based on migration matrices, which are based on the type of credit product and payment periods.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties after the default date.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is the gross carrying amount at default For lending commitments and financial guarantees, the EAD considers the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which are estimated based on historical observations and forward-looking forecasts.

Detailed information on the calculation of expected credit losses is provided in Notes 3 and 31.

Buildings assessment. As noted in Note 3, buildings held by the Bank are subject to revaluation with sufficient regularity. The revaluation was carried out by the internal appraiser who holds relevant professional qualification and has recent experience in valuation of property of similar location and category. The valuation was based on a comparative sales method. In making the valuation, certain judgments were used, in particular to determine such property, plant and equipment, in determining the value by the method of comparing sales prices..

Property, plant and equipment were revaluated at market value. The valuation was based on a comparative sales method and was carried out by the internal appraiser who holds relevant professional qualification and has recent experience in valuation of property of similar location and category. For each real estate property several comparables were selected based on the following criteria: location, type, condition and size. Adjustments were applied for a price representing an offer rather than an actual transaction (bargain discount), location, size, floor and condition and other adjustments. Bargain discount applied by the internal appraiser was usually in the range from 10% to 15%. Other adjustments applied by the internal valuator were usually in the range from 10% to 15%. The Valuer used only a comparative method to evaluate all objects of property, plant and equipment.

Changes in such assumptions may affect the fair value of the assets. If the price per square meter differs by 10%, the fair value of buildings will increase / decrease by UAH 27 815 thousand (in 2022 - by UAH 29 798 thousand).

Definition of terms under leases. The Bank considers all available facts and circumstances that give rise to an economic incentive to exercise the extension options. The Bank determines the total lease term based on the option to extend the lease and terminate the longer lease term. Where practicable, the Bank seeks to include renewal options in new leases to provide operational flexibility. The Bank assesses at lease commencement date whether it is reasonably certain to exercise extension options. As a result, the lease term for most lease objects is 2-7 years.

5. CASH AND FUNDS WITH THE NATIONAL BANK OF UKRAINE

In thousands of hryvnias	**31 December 2023**	**31 December 2022**
Cash on hand	1 319 237	1 092 361
Cash balances on correspondent accounts with the NBU	7 036 847	5 548 406
Deposit certificates issued by the NBU	7 491 371	4 005 041
Total cash and funds with the National Bank of Ukraine	**15 847 455**	**10 645 808**

As at 31 December 2023 and 2022 the Bank was in compliance with the mandatory reserve requirements.

As at 31 December 2023, the Bank's cash and cash equivalents for the purposes of the separate statement of cash flows amounted to UAH 19 760 088 thousand (as at 31 December 2022: UAH 15 908 446 thousand)

In thousands of hryvnias	**31 December 2023**	**31 December 2022**
Cash and funds with the National Bank of Ukraine	15 847 455	10 645 808
Correspondent accounts with other banks	2 783 455	3 739 425
Placements of funds on the interbank market with an initial maturity of no more than three months	1 130 329	1 524 990
Loss allowances for expected credit losses	(1 151)	(1 777)
Total cash and cash equivalents	**19 760 088**	**15 908 446**

Cash and cash equivalents include cash and funds with the National Bank of Ukraine, funds on correspondent accounts with other banks, and all placements of funds on the interbank market with an initial maturity of no more than three months.

6. DUE FROM OTHER BANKS

In thousands of hryvnias	**31 December 2023**	**31 December 2022**
Correspondent accounts with other banks	2 783 455	3 739 425
Interbank placements with original maturities of less than three months	1 130 329	1 524 990
Guarantee deposits	18 377	50 861
Loss allowances for expected credit losses	(1 229)	(1 840)
Total due from other banks	**3 930 932**	**5 313 436**

Guarantee deposits include funds placed mainly as guarantee deposits for card payments and money transfers, as well as documentary operations.

Amounts due from other banks are not collateralised.

The credit quality analysis of due from banks is based on Moody's ratings.

The credit quality of due from banks outstanding as at 31 December 2023 is below:

In thousands of hryvnias	**Correspondent accounts**	**Placement of funds in other banks**	**Guarantee deposits**	**Total**
Assets with 12-month expected credit losses - Stage 1				
- Aa1 – Aa3 rated	942 914	-	-	**942 914**
- A1 - A3 rated	1 688 410	560 346	8 442	**2 257 198**
- Baa1 - Baa3 rated	1 573	569 983	-	**571 556**
- Unrated	150 558	-	9 935	**160 493**
Loss allowances for 12-months expected credit losses	(1 047)	(104)	(78)	**(1 229)**
Total due from other banks	**2 782 408**	**1 130 225**	**18 299**	**3 930 932**

The credit quality of due from banks outstanding as at 31 December 2022 is as follows:

In thousands of hryvnias	**Correspondent accounts**	**Placement of funds in other banks**	**Guarantee deposits**	**Total**
Assets with 12-month expected credit losses - Stage 1				
- Aa1 – Aa3 rated	1 032 058	-	-	**1 032 058**
- A1 - A3 rated	2 379 042	512 060	43 884	**2 934 986**
- Baa1 - Baa3 rated	786	467 510	-	**468 296**
- Unrated	327 539	545 420	6 977	**879 936**
Loss allowances for 12-months expected credit losses	(1 673)	(104)	(63)	**(1 840)**
Total due from other banks	**3 737 752**	**1 524 886**	**50 798**	**5 313 436**

As at December 31, 2023, the Bank had a concentration of current account balances with other credit institutions in the amount of UAH 2 571 182 thousand from the three largest banks with an investment class credit rating (as at December 31, 2022 – UAH 3 267 958 thousand).

The movements in expected credit losses during 2023 are as follows:

In thousands of hryvnias	**Note**	**Correspondent accounts**	**Placement of funds in other banks**	**Guarantee deposits**	**Total**
Loss allowances for 12-months expected credit losses at 1 January 2023 - Stage 1		**1 673**	104	63	**1 840**
Remeasurement of loss allowance	25	(557)	(3)	15	**(545)**
Effect of exchange rate of foreign currency		(69)	3	-	**(66)**
Loss allowances for 12-months expected credit losses at 31 December 2023 - Stage 1		**1 047**	**104**	**78**	**1 229**

The movements in expected credit losses during 2022 are as follows:

In thousands of hryvnias	**Note**	**Correspondent accounts**	**Placement of funds in other banks**	**Guarantee deposits**	**Total**
Loss allowances for 12-months expected credit losses at 1 January 2022 - Stage 1		**241**	**-**	**69**	**310**
Remeasurement of loss allowance	25	1 188	18	(6)	1 200
Effect of exchange rate of foreign currency		244	86	-	330
Loss allowances for 12-months expected credit losses at 31 December 2022 - Stage 1		**1 673**	**104**	**63**	**1 840**

Refer to Note 34 for the estimated fair value of each class of amounts due from other banks. Interest rate analysis of due from other banks is disclosed in Note 31.

7. LOANS AND ADVANCES TO CUSTOMERS

In thousands of hryvnias	**31 December 2023**	**31 December 2022**
Corporate loans	10 403 784	8 432 351
Loans to individuals - car loans	1 309 898	2 466 604
Loans to individuals - mortgage loans	1 911 687	2 589 231
Loans to individuals - other consumer loans	882 037	1 460 080
Loss allowances for expected credit losses	(2 039 312)	(2 442 664)
Total loans and advances to customers	**12 468 094**	**12 505 602**

Changes in loss allowances for expected credit losses and advances to customers during 2023 are as follows:

In thousands of hryvnias	**Note**	**Stage 1 12-expected credit losses**	**Stage 2 Lifetime expected credit for not impaired**	**Stage 3 Lifetime expected credit for credit-impaired**	**Purchased credit-impaired**	**Total**
Loss allowances for expected credit losses at 1 January 2023		**172 744**	**801 572**	**1 438 732**	**29 616**	**2 442 664**
New originated or purchased	25	73 112	22 318	638	-	**96 068**
Net remeasurement of loss allowance for expected credit losses*	25	(21 348)	42 893	(351 034)	1 863	**(327 626)**
Write-offs		(292)	(531)	(434 870)	(1 847)	**(437 540)**
Adjustment for interest income from credit-impaired loans		(106)	22	189 206	12 676	**201 798**
Effect of exchange rate of foreign currency		2 655	1 244	9 988	940	**14 827**
Other movements, including transfers to Stages:		12 700	(145 913)	173 822	8 512	**49 121**
- transfer from Stage 1		(14 527)	14 153	374	-	**-**
- transfer from Stage 2		7 645	(213 782)	206 137	-	**-**
- transfer from Stage 3		2 119	53 568	(72 508)	16 821	**-**
Loss allowances for expected credit losses at 31 December 2023		**239 465**	**721 605**	**1 026 482**	**51 760**	**2 039 312**

* Remeasurement of loss allowance for expected credit losses includes the following: changes for loans issued during 2023, for which there was a change in the level of expected loan losses from the date of issue to the end of the year; changes in loans issued before 2023 that remained in the portfolio as at 31 December 2023; changes for loans derecognised during the period. The table above discloses the accumulated impact of changes in the level of expected credit losses, including if a significant increase in credit risk was recognized several times during the year, which resulted in the transfer between stages for several times with its subsequent reduction and vice versa.

As at 31 December 2023, loans issued in 2023 and outstanding as at 31 December 2023 amounted to UAH 6 926 033 thousand (48% of loans and advances to customers as at 31 December 2023), including corporate loans - UAH – 6 888 064 thousand (47% of loans and advances to customers as at 31 December 2023), out of which 79% of loans have initial maturity up to 2 years and due to short term nature the days of debt overdue is the most significant criterion for significant increase of credit risk for such loans.

As at 31 December 2023 UAH 5 120 015 thousand of loans outstanding were fully repaid (34%), including loans in Stage 1 - UAH 2 956 530 thousand (loss allowance as at 1 January 2023 amounted to UAH 45 789 thousand).

Changes in loss allowances for expected credit losses and advances to customers during 2022 are as follows:

In thousands of hryvnias	Note	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit for not impaired	Stage 3 Lifetime expected credit for credit-impaired	Purchased credit-impaired	Total
Loss allowances for expected credit losses at 1 January 2022		**207 901**	**64 394**	**372 225**	**10 706**	**655 226**
New originated or purchased	25	30 774	9 254	15 908	-	**55 936**
Net remeasurement of loss allowance for expected credit losses*	25	34 610	1 030 761	530 737	11 932	**1 608 040**
Write-offs		(174)	(108)	(41 170)	(5)	**(41 457)**
Adjustment for interest income from credit-impaired loans		(14)	36	117 284	3 364	**120 670**
Effect of exchange rate of foreign currency		5 656	3 107	28 351	2 338	**39 452**
Other movements, including transfers to Stages:		(106 009)	(305 872)	415 397	1 281	**4 797**
- transfer from Stage 1		(128 335)	120 884	7 451	-	**-**
- transfer from Stage 2		16 573	(452 139)	435 566	-	**-**
- transfer from Stage 3		956	25 383	(27 620)	1 281	**-**
Loss allowances for expected credit losses at 31 December 2022		**172 744**	**801 572**	**1 438 732**	**29 616**	**2 442 664**

* Remeasurement of loss allowance for expected credit losses includes the following: changes for loans issued during 2022, for which there was a change in the level of expected loan losses from the date of issue to the end of the year; changes in loans issued before 2022 that remained in the portfolio as at 31 December 2022; changes for loans derecognised during the period. The table above discloses the accumulated impact of changes in the level of expected credit losses, including if a significant increase in credit risk was recognized several times during the year, which resulted in the transfer between stages for several times with its subsequent reduction and vice versa.

As at 31 December 2022, loans issued in 2022 and outstanding as at 31 December 2022 amounted to UAH 2 979 016 thousand (24% of loans and advances to customers as at 31 December 2022), including corporate loans - UAH – 2 513 711 thousand (20% of loans and advances to customers as at 31 December 2022), out of which 79% of loans have initial maturity up to 2 years and due to short term nature the days of debt overdue is the most significant criterion for significant increase of credit risk for such loans. Credit quality of corporate loans and advances increases, therefore new loan grantings exceed loan repayments of outstanding exposures. As at 31 December 2022 UAH 3 779 519 thousand of loans outstanding were fully repaid (22%), including loans in Stage 1 - UAH 3 649 212 thousand (loss allowance as at 1 January 2022 amounted to UAH 37 112 thousand).

During 2023, the Bank assigned the rights of claim to customers ' credit debt in the amount of UAH 11 226 thousand (during 2022 - UAH 54 023 thousand).

The amount of loans that were written off during 2023, but remain the subject of enforcement activity, is UAH 240 277 thousand (in 2022 - UAH 11 787 thousand).

Economic sector risk concentration within the customer loan portfolio is as follows:

	31 December 2023		**31 December 2022**	
In thousands of hryvnias	**Amount**	**%**	**Amount**	**%**
Individuals	4 103 622	28	6 515 915	44
Agriculture and food processing	3 505 579	24	2 655 850	18
Trade	2 974 689	21	2 316 342	15
Manufacturing	2 332 388	16	1 819 284	12
Other services	820 854	6	905 947	6
Real estate and construction	335 681	2	472 631	3
Transportation	300 994	2	174 851	1
Other	133 599	1	87 446	1
Total loans and advances to customers (before expected credit losses)	**14 507 406**	**100**	**14 948 266**	**100**

As at 31 December 2023, the total gross carrying value of top 10 borrowers of the Bank was UAH 1 793 573 thousand (31 December 2022: UAH 1 607 780 thousand), or 12% of the loan portfolio before expected credit losses (31 December 2022: 11% of the loan portfolio before expected credit losses).

As at 31 December 2023, loans and advances to customers in the amount of UAH 578 881 thousand (31 December 2022: UAH 355 948 thousand) were secured by deposits in the amount of UAH 631 868 thousand (31 December 2022: UAH 394 125 thousand). Refer to Note 16 and Note 31.

Credit quality analysis of the loans outstanding as at 31 December 2023 is presented below:

In thousands of hryvnias	**Stage 1 12-month expected credit losses**	**Stage 2 Lifetime expected credit for not impaired**	**Stage 3 Lifetime expected credit for credit-impaired**	**Purchased credit-impaired**	**Total**
Corporate loans:					
- not yet past due	7 852 287	1 755 208	366 585	4 802	**9 978 882**
- less than 30 days overdue	26 966	22 373	10 225	-	**59 564**
- 30 to 90 days overdue	-	7 601	51 212	-	**58 813**
- 91 to 180 days overdue	-	-	7 946	-	**7 946**
- 181 to 360 days overdue	-	-	23 945	-	**23 945**
- over 360 days overdue	-	2	248 569	26 063	**274 634**
- Loss allowances for expected credit losses	(133 803)	(34 559)	(534 824)	(26 428)	**(729 614)**
Carrying value of the corporate loans	**7 745 450**	**1 750 625**	**173 658**	**4 437**	**9 674 170**
Loans to individuals - car loans:					
- not yet past due	523 242	448 891	25 512	5 423	**1 003 068**
- less than 30 days overdue	22 548	46 804	7 352	1 921	**78 625**
- 30 to 90 days overdue	-	23 290	14 249	1 483	**39 022**
- 91 to 180 days overdue	-	-	28 229	1 293	**29 522**
- 181 to 360 days overdue	-	-	26 968	578	**27 546**
- over 360 days overdue	-	-	131 133	982	**132 115**
Loss allowances for expected credit losses	(37 741)	(232 709)	(173 733)	(2 865)	**(447 048)**
Carrying value of the car loans to individuals	**508 049**	**286 276**	**59 710**	**8 815**	**862 850**
Loans to individuals - mortgage loans:					
- not yet past due	1 139 073	591 632	46 395	27 953	**1 805 053**
- less than 30 days overdue	1 831	4 527	2 383	209	**8 950**
- 30 to 90 days overdue	-	9 119	8 684	-	**17 803**
- 91 to 180 days overdue	-	-	14 623	-	**14 623**
- 181 to 360 days overdue	-	-	5 839	-	**5 839**
- over 360 days overdue	-	-	59 419	-	**59 419**
Loss allowances for expected credit losses	(44 853)	(296 877)	(82 165)	(11 454)	**(435 349)**
Carrying value of loans to individuals - mortgage loans	**1 096 051**	**308 401**	**55 178**	**16 708**	**1 476 338**
Loans to individuals - other consumer loans					
- not yet past due	260 440	247 344	20 581	22 966	**551 331**
- less than 30 days overdue	6 436	29 334	6 275	6 655	**48 700**
- 30 to 90 days overdue	391	20 512	4 754	3 821	**29 478**
- 91 to 180 days overdue	-	33	27 467	4 575	**32 075**
- 181 to 360 days overdue	-	33	53 090	8 287	**61 410**
- over 360 days overdue	-	107	150 675	8 261	**159 043**
Loss allowances for expected credit losses	(23 068)	(157 460)	(235 760)	(11 013)	**(427 301)**
Carrying value of other consumer loans to individuals	**244 199**	**139 903**	**27 082**	**43 552**	**454 736**
Total loans and advances to customers	**9 593 749**	**2 485 205**	**315 628**	**73 512**	**12 468 094**

Credit quality analysis of the loans outstanding as at 31 December 2022 is presented below:

In thousands of hryvnias	**Stage 1 12-month expected credit losses**	**Stage 2 Lifetime expected credit losses for not credit-impaired**	**Stage 3 Lifetime expected credit for credit-impaired**	**Purchased credit-impaired**	**Total**
Corporate loans:					
- not yet past due	5 419 557	1 864 428	406 556	3 556	**7 694 097**
- less than 30 days overdue	9 973	754	-	-	**10 727**
- 30 to 90 days overdue	429	50 418	215 304	-	**266 151**
- 91 to 180 days overdue	-	1	32 744	-	**32 745**
- 181 to 360 days overdue	-	2	369 381	-	**369 383**
- over 360 days overdue	-	-	39 806	19 442	**59 248**
- Loss allowances for expected credit losses	(70 670)	(178 434)	(693 509)	(17 808)	**(960 421)**
Carrying value of the corporate loans	**5 359 289**	**1 737 169**	**370 282**	**5 190**	**7 471 930**
Loans to individuals - car loans:					
- not yet past due	1 090 262	762 885	66 788	4 909	**1 924 844**
- less than 30 days overdue	71 515	81 589	26 079	1 497	**180 680**
- 30 to 90 days overdue	570	91 469	24 993	2 490	**119 522**
- 91 to 180 days overdue	-	-	44 459	992	**45 451**
- 181 to 360 days overdue	-	-	136 115	378	**136 493**
- over 360 days overdue	-	-	59 614	-	**59 614**
Loss allowances for expected credit losses	(38 346)	(268 398)	(222 203)	(1 524)	**(530 471)**
Carrying value of the car loans to individuals	**1 124 001**	**667 545**	**135 845**	**8 742**	**1 936 133**
Loans to individuals - mortgage loans:					
- not yet past due	1 651 306	725 305	49 114	10 930	**2 436 655**
- less than 30 days overdue	-	763	1 553	-	**2 316**
- 30 to 90 days overdue	4 329	33 118	24 267	815	**62 529**
- 91 to 180 days overdue	-	-	17 048	-	**17 048**
- 181 to 360 days overdue	-	-	47 622	-	**47 622**
- over 360 days overdue	-	-	23 061	-	**23 061**
Loss allowances for expected credit losses	(32 461)	(192 206)	(86 888)	(6 198)	**(317 753)**
Carrying value of loans to individuals - mortgage loans	**1 623 174**	**566 980**	**75 777**	**5 547**	**2 271 478**
Loans to individuals - other consumer loans					
- not yet past due	415 886	378 253	48 742	17 918	**860 799**
- less than 30 days overdue	19 120	38 679	11 892	3 755	**73 446**
- 30 to 90 days overdue	921	69 430	19 389	7 567	**97 307**
- 91 to 180 days overdue	-	236	52 347	3 998	**56 581**
- 181 to 360 days overdue	-	126	161 346	55	**161 527**
- over 360 days overdue	-	23	209 976	421	**210 420**
Loss allowances for expected credit losses	(31 267)	(162 534)	(436 132)	(4 086)	**(634 019)**
Carrying value of other consumer loans to individuals	**404 660**	**324 213**	**67 560**	**29 628**	**826 061**
Total loans and advances to customers	**8 511 124**	**3 295 907**	**649 464**	**49 107**	**12 505 602**

The Bank classifies loans and advances to customers by credit quality based on the borrower's financial condition and ability to service the debt.

Information on collateral as at 31 December 2023 is summarised below:

In thousands of hryvnias	**Corporate loans**	**Car loans**	**Mortgage loans**	**Consumer loans**	**Total**
Unsecured loans	**1 225 288**	**182 384**	**97 418**	**881 393**	**2 386 483**
Loans collateralised by:					
- cash deposits	578 881	-	-	-	**578 881**
- residential real estate	411 297	-	1 723 661	330	**2 135 288**
- other real estate	3 504 780	-	59 180	-	**3 563 960**
- other assets	4 683 538	1 127 514	31 428	314	**5 842 794**
Total loans and advances to customers (before expected credit losses)	**10 403 784**	**1 309 898**	**1 911 687**	**882 037**	**14 507 406**

Information on collateral as at 31 December 2022 is summarised below:

In thousands of hryvnias	**Corporate loans**	**Car loans**	**Mortgage loans**	**Consumer loans**	**Total**
Unsecured loans	**1 451 972**	**261 751**	**103 378**	**1 459 213**	**3 276 314**
Loans collateralised by:					
- cash deposits	355 948	-	-	-	**355 948**
- residential real estate	253 690	-	2 341 827	329	**2 595 846**
- other real estate	3 059 644	-	81 507	-	**3 141 151**
- other assets	3 311 097	2 204 853	62 519	538	**5 579 007**
Total loans and advances to customers (before expected credit losses)	**8 432 351**	**2 466 604**	**2 589 231**	**1 460 080**	**14 948 266**

The information on the collateral in the table above includes financial lease receivables. Namely, as at 31 December 2023 in the amount of loans secured by other assets, included financial lease receivables from legal entities in the amount of UAH 596 677 thousand (as at 31 December 2022 - UAH 524 169 thousand) and UAH 12 003 thousand - individuals (car loans) (as at 31 December 2022 - UAH 16 594 thousand).

Other assets mainly include equipment, other movable property and property rights for future real estate. The disclosure above represents the lower of the carrying value of the loan or fair value of collateral taken as at 31 December, depending on what is the lowest amount; the remaining part is disclosed within the unsecured exposures. The carrying value of the loans was allocated based on liquidity of the assets taken as collateralised.

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements exceed its carrying value (“over-collateralised assets”) and (ii) those assets where collateral and other credit enhancements equal to their carrying value or are lower than their carrying value (“under-collateralised assets”). The analysis below covers only the individually impaired loans.

The effect of collateral on individually impaired loans as at 31 December 2023 is summarised below:

	Over-collateralised assets		**Under-collateralised assets**	
In thousands of hryvnias	**Carrying value of the asset**	**Fair value of collateral with discounts and expected disposal terms**	**Carrying value of the asset**	**Fair value of collateral with discounts and expected disposal terms**
Corporate loans	59 513	145 506	108 148	31 219
Mortgage loans	34 281	48 141	1 258	-
Consumer loans	-	-	118	-
Car loans	3 832	7 577	768	642
Total	**97 626**	**201 224**	**110 292**	**31 861**

The effect of collateral on individually impaired loans as at 31 December 2022 is summarised below:

	Over-collateralised assets		**Under-collateralised assets**	
In thousands of hryvnias	**Carrying value of the asset**	**Fair value of collateral with discounts and expected disposal terms**	**Carrying value of the asset**	**Fair value of collateral with discounts and expected disposal terms**
Corporate loans	95 122	204 448	256 139	52 599
Mortgage loans	16 271	21 824	16 264	12 280
Consumer loans	-	-	438	-
Car loans	5 490	7 209	2 298	2 031
Total	**116 883**	**233 481**	**275 139**	**66 910**

For other commercial loans without specifically identified impairment, the fair value of collateral was estimated at the inception of the loans and is adjusted for subsequent changes in value once a year in line with the significant market changes in value for real estate or for other pledged assets in accordance with the Bank's policies and procedures.

The fair value of collateral is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, discounted for the time required for its recovery and disposal. This amount includes possible costs of debt recovery through the foreclosure such as court expenses, disposal costs and other costs related to debt recovery through the foreclosure.

The fair value of real estate properties at the end of the reporting period is based on the actual expert opinion of the firm of independent appraisers engaged by the Bank on a contractual basis or by the internal appraiser who holds a relevant qualification certificate, which are not related (affiliates, related parties, associates) to the Bank according to the legislation.

The Bank's credit risk management policies and procedures are described in Note 31. The maximum credit risk exposure represents the carrying value of loans and advances at the relevant reporting date.

Collateral and other ways to improve the quality of loans and advances are described below.

The Bank accepts the following types of collateral:

- Loans to individuals - residential mortgage property and cars;
- Loans to legal entities and industrial companies - corporate properties such as property, plant and equipment, shares, accounts receivable and third party guarantees;

- Commercial real estate development - real property for which the financing has been received.

Although collateral might be an important factor to mitigate the credit risk, the Bank’s policy provides for granting loans primarily based on the customer’s creditworthiness rather than the proposed collateral value. Depending on the customer’s condition and banking product, loans may be issued without taking collateral.

Finance lease receivables are included to loans. The table below summarises reconciliation between gross investments in lease and present value of minimal lease payments as at 31 December 2023:

In thousands of hryvnias	**Gross investment in lease**	**Present value of minimum lease payments**	**Unrealised financial income**
Finance lease receivables			
- less than 1 year	483 223	404 033	79 190
- from 1 to 5 years	402 928	296 282	106 646
- over 5 years	4 788	2 689	2 099
Less loss allowances for expected credit losses	**(113 479)**	**(113 479)**	**-**
Total after deduction of loss allowances for expected credit losses	**777 460**	**589 525**	**187 935**

Finance lease receivables are included to loans. The table below summarises reconciliation between gross investments in lease and present value of minimal lease payments as at 31 December 2022:

In thousands of hryvnias	**Gross investment in lease**	**Present value of minimum lease payments**	**Unrealised financial income**
Finance lease receivables			
- less than 1 year	453 415	430 845	22 570
- from 1 to 5 years	216 553	198 176	18 377
- over 5 years	5 401	5 343	58
Less loss allowances for expected credit losses	**(160 163)**	**(160 163)**	**-**
Total after deduction of loss allowances for expected credit losses	**515 206**	**474 201**	**41 005**

Refer to Note 34 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 31. Information on related party balances is disclosed in Note 36.

Modified financial assets

The table below provides information on financial assets that were modified when the amount of the loss allowance was estimated at an amount equal to the amount of lifetime expected credit losses.

In thousands of hryvnias	**2023**	**2022**
Financial assets modified during the period		
Amortised cost before modification	508 739	1 050 975
Gains less losses from modification	(5 645)	(28 849)

8. SECURITIES

In thousands of hryvnias	**31 December 2023**	**31 December 2022**
Securities at fair value through other comprehensive income		
Ukrainian government bonds	8 065 477	3 337 972
Corporate shares	-	10
Total securities at fair value through other comprehensive income	**8 065 477**	**3 337 982**
Securities at amortised cost		
US Treasury bonds	8 463 544	5 084 444
Bonds of the German Federal Ministry of Finance	2 099 520	-
French Ministry of finance bonds	2 834 783	-
Polish Ministry of finance bonds	476 122	581 822
Loss allowances for expected credit losses	-	(74)
Total securities at amortised cost	**13 873 969**	**5 666 192**
Total securities	**21 939 446**	**9 004 174**

The movements in amounts of expected credit losses on securities during 2023 are as follows:

In thousands of hryvnias	Note	Stage 1	Stage 2	Stage 3	Total
Securities at fair value through other comprehensive income Ukrainian government bonds					
Loss allowances for expected credit losses at 1 January 2023		**-**	**193 855**	**-**	**193 855**
Increase from acquisition of assets during the period	25	409 074	-	-	**409 074**
Repayment and sales of assets during the period	25	-	(42 244)	-	**(42 244)**
Remeasurement of loss allowance*	25	140 292	(64 214)	-	**76 078**
Effect of exchange rate of foreign currency		-	8	-	**8**
Loss allowances for expected credit losses at 31 December 2023		**549 366**	**87 405**	**-**	**636 771**
Securities at amortised cost Government bonds of other countries					
Loss allowances for expected credit losses at 1 January 2023		**74**	**-**	**-**	**74**
Increase from acquisition of assets during the period	25	134	-	-	**134**
Repayment and sales of assets during the period	25	(13)	-	-	**(13)**
Remeasurement of loss allowance*	25	(208)	-	-	**(208)**
Effect of exchange rate of foreign currency		13	-	-	**13**
Loss allowances for expected credit losses at 31 December 2023		-	-	-	-

* Remeasurement of loss allowance for expected credit losses includes the changes for securities acquired during 2023, for which there was a change in the level of expected credit losses from the date of acquisition to the end of the year, as well as in securities purchased until 2022 that remained in the portfolio at 31 December 2023.

The movements in amounts of expected credit losses on securities during 2022 are as follows:

In thousands of hryvnias	Note	Stage 1	Stage 2	Stage 3	Total
Securities at fair value through other comprehensive income Ukrainian government bonds					
Loss allowances for expected credit losses at 1 January 2022		**104 899**	**-**	**-**	**104 899**
Increase from acquisition of assets during the period	25	2 014	-	-	**2 014**
Repayment and sales of assets during the period	25	(44 483)	(3 829)	-	**(48 312)**
Remeasurement of loss allowance*	25	109 726	(11 388)	-	**98 338**
Effect of exchange rate of foreign currency		36 916	-	-	**36 916**
Transfer to the Stage:					
- from Stage 1		(209 072)	209 072	-	**-**
- from Stage 2		-	-	-	**-**
- from Stage 3		-	-	-	**-**
Loss allowances for expected credit losses at 31 December 2022		**-**	**193 855**	**-**	**193 855**
Securities at amortised cost Government bonds of other countries					
Loss allowances for expected credit losses at 1 January 2022		**-**	**-**	**-**	**-**
Increase from acquisition of assets during the period	25	115	-	-	**115**
Remeasurement of loss allowance*	25	(45)	-	-	**(45)**
Effect of exchange rate of foreign currency		4	-	-	**4**
Loss allowances for expected credit losses at 31 December 2022		**74**	**-**	**-**	**74**

* Remeasurement of loss allowance for expected credit losses includes the changes for securities acquired during 2022, for which there was a change in the level of expected credit losses from the date of acquisition to the end of the year, as well as in securities purchased until 2022 that remained in the portfolio at 31 December 2022.

9. INVESTMENTS IN SUBSIDIARIES

In 2021, the Supervisory Board of KREDOBANK JSC decided to develop performance in the related financial services market in the form of a separate legal entity. In August 2021, by the decision of the Supervisory Board of KREDOBANK JSC, a subsidiary of the Bank, KREDOLEASING LLC, was established and passed state registration. The subject of activity of this company, 100% of the capital of which belongs to JSC "KREDOBANK", is the provision of financial services, namely leasing, factoring, provision of funds on loan. In November 2021, KREDOLEASING LLC received licenses to provide financial services and was entered by the National Bank of Ukraine in the state register of financial institutions. This investment in the amount of UAH 10,000 thousand is accounted for at the purchase price.

In 2023, KREDOBANK JSC increased the authorized capital of its subsidiary KREDOLEASING LLC by UAH 25,000 thousand in order to ensure further development of the company's activities. The state registration of the change in the Authorized Capital took place on June 26, 2023. As of the reporting date, the authorized capital of KREDOLEASING LLC is UAH 35,000 thousand. KREDOBANK JSC is the sole owner of the company.

10. INVESTMENT PROPERTY

In thousands of hryvnias	**2023**	**2022**
Investment properties at fair value at 1 January	**8 138**	**11 771**
Net change of fair value	725	(3 633)
Investment properties at fair value at 31 December	**8 863**	**8 138**

As at 31 December 2023 and 31 December 2022, investment properties include commercial buildings held by the Bank to earn rental income, which were transferred from property, plant and equipment and leasehold improvements.

Information on income from operating lease is disclosed in Note 26.

As at 31 December 2023 and 31 December 2022, fair value of the Bank's investment properties was determined based on the reports of internal appraiser who holds the relevant professional qualification and has recent experience in valuation of property of the similar category and location. Valuation is based on market value of an asset by income approach.

The fair values of investment properties are categorised into Level 3 of the fair value hierarchy as at 31 December 2023 and 2022 (Note 34).

11. PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment as well as assets in the form of right-of- use is presented as follows:

In thousands of hryvnias	Property and leasehold improvements	Computer and equipment	Security systems, cars and other equipment	Right-of-use assets - Premises	Total
Initial cost					
At 1 January 2022	**411 409**	**702 460**	**440 007**	**255 225**	**1 809 101**
Additions	11 965	33 440	14 896	110 351	170 652
Disposals	(13 232)	(9 039)	(29 086)	(147 968)	(199 325)
Transfers	-	-	(2 616)	-	(2 616)
At 31 December 2022	**410 142**	**726 861**	**423 201**	**217 608**	**1 777 812**
Additions	15 181	58 567	56 715	85 487	215 950
Disposals	(34 480)	(7 734)	(14 583)	(90 159)	(146 956)
Transfers	-	-	(2 640)	-	(2 640)
At 31 December 2023	**390 843**	**777 694**	**462 693**	**212 936**	**1 844 166**
Accumulated depreciation					
At 1 January 2022	**76 729**	**395 190**	**281 269**	**120 126**	**873 314**
Depreciation charge	24 819	62 576	46 262	80 599	214 256
Disposals	(8 198)	(8 090)	(22 764)	(106 929)	(145 981)
At 31 December 2022	**93 350**	**449 676**	**304 767**	**93 796**	**941 589**
Depreciation charge	16 523	63 008	42 094	81 174	202 799
Disposals	(21 047)	(7 724)	(12 773)	(74 144)	(115 688)
At 31 December 2023	**88 826**	**504 960**	**334 088**	**100 826**	**1 028 700**
Carrying amount					
At 31 December 2022	**316 792**	**277 185**	**118 434**	**123 812**	**836 223**
At 31 December 2023	**302 017**	**272 734**	**128 605**	**112 110**	**815 466**

The Bank presents right-of use assets that related to leased real estate and do not meet the definition of investment property as “Property, plant and equipment”.

As at 31 December 2023, the cost of fully depreciated equipment that is still in use is UAH 421 054 thousand (31 December 2022: UAH 340 422 thousand).

As at 31 December 2023 and 31 December 2022, the Bank has no property, plant and equipment of which ownership, use and disposal are limited by laws of Ukraine or issued as collateral.

The Bank’s premises were not revaluated as at 31 December 2023 and 31 December 2022 as its carrying value at the annual balance sheet date did not differ significantly from the fair value according to the appraisers’ conclusions.

The valuation was based on a market approach and was carried out by the internal appraiser who holds relevant professional qualification and has recent experience in valuation of property of similar location and category. For each real estate property several comparables were selected based on the following criteria: location, type, condition and size. Adjustments were applied for a price representing an offer rather than an actual transaction (bargain discount), location, size, floor and condition and other adjustments. Bargain discount applied by the internal appraiser was usually in the range from 10% to 15%. Other adjustments applied by the internal valuator were usually in the range from 10% to 15%. The valuer used only income approach to value all objects of property, plant and equipment..

The carrying value of own buildings subject to revaluation as at December 31, 2023 amounts to UAH 270 155 thousand (as at December 31, 2022 – UAH 306 233 thousand). Had the assets been recognised at cost less depreciation, the carrying value of the property, plant and equipment would have amount to UAH 153 999 thousand as at 31 December 2023 (31 December 2022: UAH 148 095 thousand).

The fair value of the Bank's buildings are categorised into Level 3 of the fair value hierarchy.

Movements in lease liability were as follows:

In thousands of hryvnias	**2023**	**2022**
Balance at 1 January	**123 550**	**135 111**
Changes from financing cash flows:		
Payment of lease liabilities - principal	(79 742)	(78 815)
Total changes from financing cash flows	**(79 742)**	**(78 815)**
Effect of exchange rate of foreign currency	(12 235)	6 556
Other changes:		
Lease additions	84 495	109 220
Other changes:	(8 545)	(48 746)
Interest expense	19 553	14 927
Interest paid	(19 497)	(14 703)
Total liability-related other changes	**76 006**	**60 698**
Balance at 31 December	**107 579**	**123 550**

Rental income recognised by the Bank during 2023 was UAH 11 595 thousand (2022: UAH 8 232 thousand) (Note 26).

12. INTANGIBLE ASSETS

Movements in intangible assets were as follows:

In thousands of hryvnias	Software	Rights and licenses	Other intangible assets	Total
Initial cost				
At 1 January 2022	**284 199**	**300 955**	**2 151**	**587 305**
Additions	48 760	56 169	-	104 929
Disposals	(21 674)	(91 410)	-	(113 084)
At 31 December 2022	**311 285**	**265 714**	**2 151**	**579 150**
Additions	74 167	123 625	-	197 792
Disposals	(2 710)	(69 699)	-	(72 409)
At 31 December 2023	**382 742**	**319 640**	**2 151**	**704 533**
Accumulated depreciation				
At 1 January 2022	**123 591**	**238 217**	**1 796**	**363 604**
Depreciation charge	32 722	70 633	118	103 473
Disposals	(21 194)	(91 008)	-	(112 202)
At 31 December 2022	**135 119**	**217 842**	**1 914**	**354 875**
Depreciation charge	43 135	65 807	118	109 060
Disposals	(2 710)	(69 699)	-	(72 409)
At 31 December 2023	**175 544**	**213 950**	**2 032**	**391 526**
Carrying amount				
At 31 December 2022	**176 166**	**47 872**	**237**	**224 275**
At 31 December 2023	**207 198**	**105 690**	**119**	**313 007**

Initial value of fully depreciated intangible assets still in use - UAH 55 755 thousand (as at December 31, 2022 - UAH 117 880 thousand).

As at 31 December 2023 and 31 December 2022 the Bank has no intangible assets pledged as collateral. However, there are restrictions on the ownership of computer software licenses used by the Bank.

13. OTHER FINANCIAL ASSETS

In thousands of hryvnias	**31 December 2023**	**31 December 2022**
Receivables from operations with customers and banks and other	36 267	16 458
Fees and commissions to be received	12 882	13 887
Cash that is unconfirmed	1 062	1 062
Receivables from operations with plastic cards	947	217 197
Loss allowances for expected credit losses	(12 702)	(4 445)
Total other financial assets	**38 456**	**244 159**

The analysis of change in the loss allowances for expected credit losses of other financial assets during 2023 is as follows:

In thousands of hryvnias	**Note**	**Fees and commissions to be received (Stage 2,3)**	**Receivables from operations with customers and banks and other (Stage 3)**	**Cash that is unconfirmed (Stage 3)**	**Total**
Loss allowances for expected credit losses as at 1 January 2023		**3 381**	**2**	**1 062**	**4 445**
Net remeasurement of loss allowance during the year	25	4 937	3 823	-	**8 760**
Amounts written off during the year as uncollectible		(636)	-	-	**(636)**
Effect of exchange rate of foreign currency		-	133	-	**133**
Loss allowances for expected credit losses as at 31 December 2023		**7 682**	**3 958**	**1 062**	**12 702**

The analysis of change in the loss allowances for expected credit losses of other financial assets during 2022 is as follows:

In thousands of hryvnias	**Note**	**Fees and commissions to be received (Stage 2,3)**	**Receivables from operations with customers and banks and other (Stage 3)**	**Cash that is unconfirmed (Stage 3)**	**Total**
Loss allowances for expected credit losses as at 1 January 2022		**1 957**	**548**	**1 062**	**3 567**
Net remeasurement of loss allowanceduring the year	25	**1 981**	**2**	**2 839**	**4 822**
Amounts written off during the year as uncollectible		**(557)**	**(548)**	**(3 481)**	**(4 586)**
Effect of exchange rate of foreign currency		**-**	**-**	**642**	**642**
Loss allowances for expected credit losses as at 31 December 2022		**3 381**	**2**	**1 062**	**4 445**

The amount of loss allowances for expected credit losses on accrued income that are not impaired as at 31 December 2023 is UAH 35 thousand (at 31 December 2022 - UAH 119 thousand).

Receivables from operations with customers and banks in the amount of UAH 36 267 thousand as at 31 December 2023 (31 December 2022 - UAH 16 456 thousand) and receivables from operations with plastic cards in the amount of UAH 947 thousand (31 December 2022 - UAH 217 197 thousand) are represented by transit accounts for transfers and payment cards that are subject to the clearing on the next business day, and for which no expected credit losses assessment is performed.

Analysis by credit quality of other financial assets at 31 December 2023 is as follows:

In thousands of hryvnias	**Fees and commissions to be received**	**Receivables from operations with customers and banks and other**	**Receivables from operations with plastic cards**	**Cash that is unconfirmed**	**Total**
Assets without estimation of expected credit losses (not overdue)	**-**	**32 309**	**947**	**-**	**33 256**
Past due but not impaired other financial assets with 12-month expected credit losses (Stage 2)					
- not yet past due	3 488	-	-	-	**3 488**
- less than 30 days overdue	61	-	-	-	**61**
- 31 to 90 days overdue	707	-	-	-	**707**
Credit-impaired other financial assets (Stage 3)					
- not yet past due	-	3 958	-	1 062	**5 020**
- 91 to 180 days overdue	553	-	-	-	**553**
- 181 to 360 days overdue	943	-	-	-	**943**
- over 360 days overdue	7 130	-	-	-	**7 130**
Total credit-impaired other financial assets (gross)	**8 626**	**3 958**	**-**	**1 062**	**13 646**
Less loss allowances for expected credit losses	**(7 682)**	**(3 958)**	**-**	**(1 062)**	**(12 702)**
Total other financial assets	**5 200**	**32 309**	**947**	**-**	**38 456**

Analysis by credit quality of other financial assets at 31 December 2022 is as follows:

In thousands of hryvnias	**Fees and commissions to be received**	**Receivables from operations with customers and banks and other**	**Receivables from operations with plastic cards**	**Cash that is unconfirmed**	**Total**
Assets without estimation of expected credit losses (not overdue)	**-**	**16 456**	**217 197**	**-**	**233 653**
Past due but not impaired other financial assets with 12-month expected credit losses (Stage 2)					
- not yet past due	3 518	-	-	-	**3 518**
- less than 30 days overdue	254	-	-	-	**254**
- 31 to 90 days overdue	1 374	-	-	-	**1 374**
Credit-impaired other financial assets (Stage 3)					
- not yet past due	-	2	-	1 062	**1 064**
- 91 to 180 days overdue	734	-	-	-	**734**
- 181 to 360 days overdue	2 190	-	-	-	**2 190**
- over 360 days overdue	5 817	-	-	-	**5 817**
Total credit-impaired other financial assets (gross)	**8 741**	**2**	**-**	**1 062**	**9 805**
Less loss allowances for expected credit losses	**(3 381)**	**(2)**	**-**	**(1 062)**	**(4 445)**
Total other financial assets	**10 506**	**16 456**	**217 197**	**-**	**244 159**

The primary factors that the Bank considers in determining whether a receivable is impaired are its overdue status. As a result, the Bank presents above an ageing analysis of receivables that are individually determined to be impaired. Other receivables generally are not collateralised.

Information on related party balances is disclosed in Note 36.

14. OTHER NON-FINANCIAL ASSETS

In thousands of hryvnias	**31 December 2023**	**31 December 2022**
Prepaid expenses	57 653	36 112
Prepayments for goods and unfinished construction	56 716	44 818
Inventory	30 789	29 065
Prepayment for services	15 734	12 767
The Bank’s repossessed collateral and assets for sale	14 765	3 752
Prepaid taxes other than income tax	5 843	5 931
Other	445	491
Total other non-financial assets	**181 945**	**132 936**

15. DUE TO OTHER BANKS

In thousands of hryvnias	**31 December 2023**	**31 December 2022**
Correspondent accounts and overnight placements of other banks	1 736 689	967 700
Guarantee deposits	5 322	-
Funds in settlements for escrow operations	3 838	3 851
Total due to other banks	**1 745 849**	**971 551**

As at 31 December 2023 correspondent accounts and overnight deposits of other banks include UAH 4 141 thousand (31 December 2022: UAH 3 020 thousand) of balances on accounts of PKO BP S.A.

Refer to Note 34 for the disclosure of the fair value of each class of amounts due to other banks. Interest rate analysis of due to other banks is disclosed in Note 31. Information on related party balances is disclosed in Note 36

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16. CUSTOMER ACCOUNTS

In thousands of hryvnias	**31 December 2023**	**31 December 2022**
Legal entities		
- Current/settlement accounts	24 063 060	17 618 992
- Term deposits	6 549 025	3 212 710
Individuals		
- Current/demand accounts	9 606 564	8 074 566
- Term deposits	6 245 663	4 106 248
Total customer accounts	**46 464 312**	**33 012 516**

Economic sector concentrations within customer accounts are as follows:

	31 December 2023		**31 December 2022**	
In thousands of hryvnias	**Amount**	**%**	**Amount**	**%**
Individuals	15 852 227	34	12 180 814	37
Trade	6 606 176	14	4 284 406	13
Manufacturing	6 246 379	14	2 967 361	9
Information technology and telecommunications	3 822 222	8	3 677 108	11
Financial services	3 302 793	7	2 607 382	8
Real estate	2 736 054	6	1 553 622	5
Agriculture	2 134 674	5	958 069	3
Professional, scientific and technical activity	972 910	2	699 657	2
Transport and communication	916 723	2	740 475	2
Provision of other types of services	469 425	1	485 870	1
Other	3 404 729	7	2 857 752	9
Total customer accounts	**46 464 312**	**100**	**33 012 516**	**100**

As at 31 December 2023, the Bank had 540 customers (31 December 2022: 353 customers) with balances above UAH 10 000 thousand each. The aggregate balance on accounts of these customers was UAH 26 380 737 thousand (31 December 2022: UAH 14 786 256 thousand), or 57% (31 December 2022: 45%) of total customer accounts.

As at 31 December 2023, included in customer accounts are deposits of UAH 116 897 thousand (31 December 2022: UAH 46 897 thousand) held as collateral for guarantees issued. Refer to Note 33.

As at 31 December 2023, included in customer accounts are deposits amounted to UAH 578 881 thousand (31 December 2022: UAH 355 948 thousand) held as collateral for loans granted to customers amounted to UAH 631 868 thousand (31 December 2022: UAH 394 125 thousand). Refer to Note 7.

As at 31 December 2023, included in current accounts of individuals are prepayments at loan agreements amounting UAH 32 234 thousand that are not due (31 December 2022: UAH 38 456 thousand); current accounts of legal entities are prepayments at loan agreements amounting UAH 84 864 thousand that are not due (31 December 2022: UAH 27 158 thousand).

Refer to Note 34 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 31. Information on related party balances is disclosed in Note 36.

17. DUE TO OTHER FINANCIAL INSTITUTIONS

In thousands of hryvnias	**31 December 2023**	**31 December 2022**
Entrepreneurship Development Fund	100 752	102 303
Total other financial institutions	**100 752**	**102 303**

In October 2023, the Bank payed off a loan to the Entrepreneurship Development Fund in the amount of UAH 100 000 thousand at the rate of UIRD 3 months for a term of two years, that was received in October 2021.

In December 2023, the Bank received a loan for a term of two years from the Entrepreneurship Development Fund in the amount of UAH 100 000 thousand at the rate of UIRD 3 months, that is 14.6% as at 31 December, 2023. According to the agreement, the funds are allocated for lending to small and medium-sized enterprises under the fund's program to support the financing of investment projects of small and medium-sized businesses in Ukraine.

The Bank pledged domestic bonds with a total nominal value of UAH 111 407 thousand as collateral for the received loan (Note 8).

Change in amounts of due to other financial institutions are presented as follows:

In thousands of hryvnias	**2023**	**2022**
Due to other financial institutions as at 1 January	**102 303**	**101 080**
Repayment during the year	11 190	7 806
Interest paid	(12 491)	(6 583)
Other changes	(250)	-
Due to other financial institutions as at 31 December	**100 752**	**102 303**

Refer to Note 34 for the disclosure of the fair value of due to other financial institutions.

18. OTHER FINANCIAL LIABILITIES

Other financial liabilities are presented as follows:

In thousands of hryvnias	Note	31 December 2023	31 December 2022
Funds in settlements		209 617	430 843
Lease liabilities	11	107 579	123 550
Other accrued liabilities		83 389	101 887
Other		848	439
Total other financial liabilities		**401 433**	**656 719**

Refer to Note 34 for disclosure of fair value of each class of other financial liabilities.

19. OTHER NON-FINANCIAL LIABILITIES

Other financial liabilities are presented as follows:

In thousands of hryvnias	31 December 2023	31 December 2022
Accrued employee benefit costs	165 562	80 079
Amounts payable to Individuals' Deposits Guarantee Fund	32 035	26 000
Taxes payable other than on income	25 891	8 778
Provisions of vacation pay	20 166	16 330
Deferred income	13 833	9 663
Accounts payable for the acquisition of assets	6 348	1 989
Other	247	-
Total other non-financial liabilities	**264 082**	**142 839**

20. PROVISIONS

In thousands of hryvnias	31 December 2023	31 December 2022
Provisions for credit obligations	21 658	31 277
Provisions for liabilities	12 108	2 488
Total provisions	**33 766**	**33 765**

The provision for credit obligations represents the expected credit losses created for the Bank's financial obligations to provide loans and guarantees provided by the Bank to customers. Information on movement in provisions for credit obligations is provided in Note 33.

21. SHARE CAPITAL

In thousands of hryvnias, except for number of shares	**Number of outstanding shares**	**Nominal amount**	**Total**
At 1 January 2022	224 896 946 916	2 248 969	2 248 969
At 31 December 2022	224 896 946 916	2 248 969	2 248 969
At 31 December 2023	224 896 946 916	2 248 969	2 248 969

The share capital of the Bank amounts to UAH 2 248 969 thousand (2022: UAH 2 248 969 thousand).

As at 31 December 2023 and 31 December 2022, the total number of issued shares, at which the reports on placement results were registered, comprised 224 896 946 916 ordinary shares with nominal value of UAH 0.01 per share. All ordinary shares have equal voting rights.

As at 31 December 2023 and 2022 all ordinary shares were fully paid and registered.

The Bank's shareholder structure is presented below:

Shareholder	**2023**	**2022**
PKO BP S.A.	100,00%	100,00%

22. OTHER COMPREHENSIVE INCOME RECOGNISED IN EQUITY

Analysis of other comprehensive income by equity component item is as follows:

In thousands of hryvnias	**Revaluation reserve for financial instruments at fair value through other comprehensive income**
Year ended 31 December 2022	
Financial instruments at fair value through other comprehensive income:	
- Net change in the fair value of financial instruments at fair value through other comprehensive income	(64 321)
- Net change in the fair value of financial instruments at fair value through other comprehensive income transferred to net profit and loss	11 549
Total other comprehensive income	**(52 772)**
Year ended 31 December 2023	
Financial instruments at fair value through other comprehensive income:	
- Net change in the fair value of financial instruments at fair value through other comprehensive income	619 859
- Net change in the fair value of financial instruments at fair value through other comprehensive income transferred to net profit and loss	(616)
Total other comprehensive income	**619 243**

23. INTEREST INCOME AND EXPENSE

In thousands of hryvnias	**2023**	**2022**
Interest income		
Deposit certificates issued by the NBU	1 755 264	476 199
Loans and advances to legal entities	1 310 882	1 047 291
Loans and advances to individuals	739 121	1 092 249
Securities at fair value through other comprehensive income	822 638	326 508
Securities at amortised cost	341 312	45 050
Due from other banks	144 092	39 223
Total interest income	**5 113 309**	**3 026 520**
Interest expense		
Customer accounts of legal entities	1 400 833	483 666
Customer accounts of individuals	453 363	204 732
Lease liabilities	19 553	14 927
Due to other banks	4 625	2 320
Amounts due to the National Bank of Ukraine	-	122 683
Debt securities	-	38 337
Other	5	18
Total interest expense	**1 878 379**	**866 683**
Net interest income	**3 234 930**	**2 159 837**

Interest income on impaired financial assets amounts to UAH 39 894 thousand for 2023 (2022: UAH 87 520 thousand).

Information on interest income and expense on transactions with related parties is disclosed in Note 36.

24. FEE AND COMMISSION INCOME AND EXPENSE

In thousands of hryvnias	**2023**	**2022**
Fee and commission income		
Cash and settlement transactions	557 786	534 838
Purchase and sale of foreign currency	208 694	166 147
Agency fee from insurance companies	21 552	17 474
Guarantees issued and other documentary	13 071	6 860
Other	15 159	13 830
Total fee and commission income	**816 262**	**739 149**
Fee and commission expense		
Cash and settlement transactions	281 826	220 382
Received guarantees and other documentary	15 618	1 149
Loan transaction fees	2 862	2 477
Transactions with securities	1 124	515
Other	580	126
Total fee and commission expense	**302 010**	**224 649**
Net fee and commission income	**514 252**	**514 500**

Information on fee and commission income and expense on transactions with related parties is disclosed in Note 36.

25. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS

In thousands of hryvnias	**Note**	**2023**	**2022**
Due from other banks	6	(545)	1 200
Loans and advances to customers	7	(231 558)	1 663 976
Securities at fair value through other comprehensive income	8	442 908	52 040
Securities at amortised cost	8	(87)	70
Other financial assets - fees and commission income	13	4 937	1 981
Other financial assets - non-confirmed cash	13	-	2 839
Other financial assets - transactions with customers	13	3 823	2
Financial guarantee contracts	33	2 495	22
Loan commitments	33	(12 298)	8 308
Credit loss expense on financial assets		**209 675**	**1 730 438**

In addition to the expected credit losses on initial recognition, derecognition and other remeasurements (refer to Note 7), loans and advances to customers for 2023 include repayments of loans written off in prior periods as uncollectible in the amount of UAH 17 463 thousand (2022 - UAH 4 797 thousand).

26. OTHER OPERATING INCOME

In thousands of hryvnias	**2023**	**2022**
Gain from disposal of property, plant and equipment	18 101	6 266
Gain from leasing contracts	11 595	8 232
Gain from leases modification	5 109	2 453
Income from operating leases	5 056	13 748
Support of operations from partner companies	4 460	18 877
Penalties and fine received	3 813	5 730
Liquidation of the reserve to cover losses	2 888	8 193
Income from compensation of insurance organizations	2 197	18
Income from revaluation of property, plant and equipment	1 894	707
Reimbursement of legal expenses	1 591	583
Income from revaluation of investment property	833	-
Enrollment in income balances on which the statute of limitations has expired	82	19 964
Other	4 158	2 245
Total other operating income	**61 777**	**87 016**

27. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

In thousands of hryvnias	**2023**	**2022**
Wages, bonuses and other employee costs	737 311	574 625
Social contributions accrued on employee benefits	146 064	116 073
Total employee payments expenses	**883 375**	**690 698**
Contributions to Individuals' Deposit Guarantee Fund	121 833	92 042
Software maintenance	113 405	92 817
Utility costs	70 932	61 182
Repair and maintenance of property, plant and equipment	61 535	52 695
Communication	47 066	43 329
Professional services	25 817	16 030
Legal services	17 490	5 407
Advertising and marketing services	14 518	7 646
Taxes other than on income	14 364	9 963
Security services	12 452	14 164
Charity	12 180	15 616
Expenses for fines, penalties and other related charges	10 745	1 276
Provision for losses	9 226	-
Expenses for bank payment cards	9 178	12 367
Collection and transportation of valuables	8 411	5 552
Negative result on lease agreements	8 107	7 192
Expenses related to finance lease transactions	6 040	371
Business trips	5 457	1 544
Cybersecurity systems	5 302	4 845
Operating lease expense for buildings	5 212	4 017
Other	28 553	47 308
Total administrative and other operating expenses	**607 823**	**495 363**

No discretionary pensions or other post-employment benefits are provided by the Bank.

28. INCOME TAX

(a) Components of income tax expense

Components of income tax expense are presented as follows:

In thousands of hryvnias	2023	2022
Current tax	1 137 672	26 250
Deferred tax	(62 920)	5 678
Income tax expense	**1 074 752**	**31 928**

(b) Reconciliation of tax expense and profit or loss multiplied by applicable tax rat

The Bank's applicable income tax rate is 50%. Reconciliation of expected and actual income tax expense is presented as follows.

In thousands of hryvnias	2023	2022
Profit before tax	**2 286 252**	**174 344**
The theoretical tax charge at the current tax rate (2023 – 50%; 2022–18%)	1 143 126	31 382
Tax effect of items which are not deductible or assessable for taxation purposes		
- costs / (income not included for tax purposes related to provision	(2 643)	363
- other costs not recognised for tax purposes	2 868	826
Effect of accounting policies changes and other changes of temporary differences	(68 599)	(643)
Income tax expense for the year	**1 074 752**	**31 928**

(c) Deferred taxes by type of temporary differences

Differences between IFRS and statutory tax regulations in Ukraine give rise to temporary differences between carrying amounts of assets and liabilities used for financial reporting purposes and their tax bases, and on tax losses carried forward.

Tax effect of movements in these temporary differences is presented as follows.

In thousands of hryvnias	1 January 2023	Credited/ (charged) to profit or loss for the year	31 December 2023
Tax effect of deductible/(taxable) temporary differences			
Premises and equipment	31 514	48 754	80 268
Commitment provision and other losses	7 619	11 086	18 705
Result of derecognition of securities at fair value through other comprehensive income	2 079	3 080	5 159
Net deferred tax asset	**41 212**	**62 920**	**104 132**

In thousands of hryvnias	**1 January 2022**	**Credited/ (charged) to profit or loss for the year**	**31 December 2022**
Tax effect of deductible/(taxable) temporary differences			
Premises and equipment	39 677	(8 163)	31 514
Commitment provision and other losses	7 213	406	7 619
Result of derecognition of securities at fair value through other comprehensive income	-	2 079	2 079
Net deferred tax asset	**46 890**	**(5 678)**	**41 212**

The recognised deferred tax asset is the amount of income tax that may be credited against future income taxes and is recognized in the separate statement of financial position. Deferred income tax assets are recognized only to the extent that it is probable that the tax credit will be used. Estimation of future taxable profits and the amount of tax credit that can be used in the future is based on the medium-term business plan that prepares management and the results of its extrapolation for future periods.

29. BASIC AND DILUTED PROFIT PER SHARE

The Bank prepared its consolidated financial statements and separate financial statements as at and for the year ended 31 December 2023 and 31 December 2022 in accordance with IFRS 10 “Consolidated financial statements” and IAS 27 “Separate financial statements”. Basic profit per share is calculated and disclosed based on the IFRS consolidated financial statements. During the reporting period, the Bank had no dilutive financial instruments. Therefore, basic profit per share is equal to diluted profit per share

Profit per share is calculated as follows:

In thousands of hryvnias	**2023**	**2022**
Profit/(loss) for the year attributable to ordinary shareholders	1 209 409	139 532
Weighted average number of ordinary shares in issue (thousands)	224 896 947	224 896 947
Basic and diluted profit per share attributable to shareholders of the Group (UAH per share)	**0,0054**	**0,0006**

30. SEGMENT ANALYSIS

Operating segments are components engaged in business operations that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is a person or a group of persons who allocate resources and measure the Bank's performance. The CODM functions are performed by Management Board.

(a) Reportable segments

The Bank has the following three key reportable segments:

- Retail banking - banking services to individuals including current and saving accounts, deposits, investments, credit and debit cards, consumer and mortgage loans, currency transactions, money transfers.
- Corporate banking - direct debit facilities, current accounts, deposits, overdrafts, loans and other credit facilities.
- Treasury and investment banking - financial instruments trading, capital market transactions, operations with foreign currencies and banknotes.

(b) Factors used to identify reportable segments

The Bank's segments represent strategic business units targeting different customers. They are managed separately since each business unit requires different marketing strategies and service levels.

(c) Measurement of operating segment profit or loss, assets and liabilities

Management Board reviews financial information prepared in accordance with the NBU requirements and IFRS.

The following approaches are applied to segment analysis.

- resources are reallocated among segments using internal interest rates set by Treasury Department. These internal interest rates are determined by reference to market interest rate benchmarks, contractual maturities of loans, and historical information on actual repayment of customer account balances;
- income tax, and certain other items are not allocated to segments.

For operating decision making purposes, segment performance is measured based on profit before tax.

Reports include information on intersegment transfer (internal) results of reportable segments. Transfer result is calculated as the difference between transfer revenue and transfer expense per each segment based on transfer prices set by major currency and maturity. For corporate and retail segments, transfer revenue is calculated as estimated revenue from sales of attracted resources to Treasury and Investment Banking segment at acquisition transfer prices; transfer expenses are calculated as estimated expenses on purchase of resources from Treasury and Investment Banking segment at transfer prices on placements.

Transfer prices and transfer revenue/expenses are calculated in accordance with "Methodology for determining and applying transfer prices within "KREDOBANK" approved by Resolution of Management Board No. 598 dated 11 August 2022.

(d) Reportable segment profit or loss, assets and liabilities

Reportable segments for the year ended 31 December 2023 are presented as follows:

In thousands of hryvnias	**Retail banking**	**Corporate banking**	**Treasury and Investment banking**	**Unallocated**	**Total**
Reportable segment assets	2 800 866	9 711 400	41 719 090	1 654 716	**55 886 072**
Reportable segment liabilities	15 858 947	30 658 962	1 841 764	1 657 719	**50 017 392**
Capital expenditures	-	-	-	328 255	**328 255**

Capital expenditures represent additions to non-current assets other than financial instruments and deferred tax assets.

In thousands of hryvnias	**Retail banking**	**Corporate banking**	**Treasury and Investment banking**	**Unallocated**	**Eliminations**	**Total**
2023						
External revenues:						
- Interest income	739 121	1 310 882	3 063 306	-	-	**5 113 309**
- Fee and commission income	289 321	487 569	2 626	36 746	-	**816 262**
- Other operating income	5 108	359	-	56 310	-	**61 777**
Revenues from other segments						
- Interest income	1 416 364	2 796 494	1 826 752	-	(6 039 610)	-
Total revenues	**2 449 914**	**4 595 304**	**4 892 684**	**93 056**	**(6 039 610)**	**5 991 348**
Interest expense	(1 222 975)	(2 457 973)	(4 217 483)	(19 558)	6 039 610	**(1 878 379)**
Gains less losses from trading in foreign currencies	-	-	434 969	-	-	**434 969**
Foreign exchange translation gains less losses	-	-	40 628	-	-	**40 628**
Gains less losses on derecognition of securities measured at fair value through other comprehensive income	-	-	616	-	-	**616**
Gains less losses on derecognition of financial assets measured at amortised cost	11 169	6 288	-	-	-	**17 457**
Result from modification of financial assets	(4 731)	(914)	-	-	-	**(5 645)**
Credit loss expense provision	(61 685)	293 243	(442 276)	1 043	-	**(209 675)**
Fee and commission expense	(168 345)	(59 880)	(44 988)	(28 797)	-	**(302 010)**
Personnel expenses, depreciation costs, administrative and other operating expenses	(779 759)	(617 482)	(396 248)	(9 568)	-	**(1 803 057)**
Segment result	**223 588**	**1 758 586**	**267 902**	**36 176**	**-**	**2 286 252**
Income tax expense for the year						(1 074 752)
Profit for the year						**1 211 500**

Reportable segments for the year ended 31 December 2022 are presented as follows:

In thousands of hryvnias	**Retail banking**	**Corporate banking**	**Treasury and Investment banking**	**Unallocated**	**Total**
Reportable segment assets	5 039 917	7 495 326	24 965 573	1 469 691	**38 970 507**
Reportable segment liabilities	12 187 345	20 860 293	1 082 600	802 332	**34 932 570**
Capital expenditures	-	-	-	165 230	**165 230**

Capital expenditures represent additions to non-current assets other than financial instruments and deferred tax assets.

In thousands of hryvnias	**Retail banking**	**Corporate banking**	**Treasury and Investment banking**	**Unallocated**	**Eliminations**	**Total**
2022						
External revenues:						
- Interest income	1 092 249	1 047 291	886 980	-	-	**3 026 520**
- Fee and commission income	323 421	373 499	1 072	41 157	-	**739 149**
- Other operating income	22 034	505	-	64 477	-	**87 016**
Revenues from other segments						
- Interest income	865 287	1 340 093	1 613 975	-	(3 819 355)	**-**
Total revenues	**2 302 991**	**2 761 388**	**2 502 027**	**105 634**	**(3 819 355)**	**3 852 685**
Interest expense	(1 026 628)	(1 275 745)	(2 368 720)	(14 945)	3 819 355	**(866 683)**
Gains less losses from trading in foreign currencies	-	-	566 526	-	-	**566 526**
Foreign exchange translation gains less losses	-	-	104 736	-	-	**104 736**
Gains less losses on derecognition of securities measured at fair value through other comprehensive income	-	-	(11 549)	-	-	**(11 549)**
Gains less losses on derecognition of financial assets measured at amortised cost	11 257	5 098	-	-	-	**16 355**
Result from modification of financial assets	(26 525)	(2 324)	-	-	-	**(28 849)**
Credit loss expense provision	(924 000)	(739 976)	(53 310)	(13 152)	-	**(1 730 438)**
Fee and commission expense	(124 881)	(34 268)	(46 997)	(18 503)	-	**(224 649)**
Personnel expenses, depreciation costs, administrative and other operating expenses	(652 461)	(516 677)	(331 559)	(3 093)	-	**(1 503 790)**
Segment result	**(440 247)**	**197 496**	**361 154**	**55 941**	**-**	**174 344**
Income tax expense for the year						(31 928)
Profit for the year						**142 416**

(e) Analysis of revenues by product and service

Analysis of Bank’s revenues by product and service is disclosed in Note 23 (interest income) and Note 24 (fee and commission income)..

(f) Geographical information

Ukraine represents the only geographical segment, as majority of revenues and assets are attributable to Ukraine. The Bank has no significant revenues from outside Ukraine and all its non-current assets other than financial instruments are attributable to Ukraine. Refer to Note 31 for geographical analysis of Bank's assets and liabilities.

(g) Major customers

The Bank has no customers representing more than 10% of total revenue of the Bank.

31. FINANCIAL RISK MANAGEMENT

Risk management relates to financial risks, operational risks, and legal risks. Financial risks comprise market risk (including currency risk, interest rate risk, and other price risk), credit risk, and liquidity risk. The purpose of financial risk management is to establish risk limits and ensure adherence to such limits. The operational and legal risk management is intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk. The Bank is exposed to credit risk, which is the risk that a party to a financial instrument fails to meet its contractual obligations resulting in a financial loss to the other party. Exposure to credit risk arises as a result of the Bank's lending and other transactions with counterparties giving rise to financial assets.

The maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the separate statement of financial position. For guarantees and credit related commitments, the maximum exposure to credit risk is the total amount of commitments (see Note 34). Credit risk is managed by making strategic decisions on acceptable credit risk, approving credit limits, updating principles and processes for credit risk assessment, implementing and improvement of risk assessment tools that allow maintaining risk within acceptable parameters, developing information tools that computerize credit risk assessment process and ensure quality and integrity of data used in the process, planning of operations and preparing recommendations, obtaining collateral, and by other tools intended to mitigate credit risk as described in Note 7.

The Bank structures its exposures to credit risk by establishing limits per borrower or group of borrowers. Management approves credit risk limits on a regular basis. Such risks are regularly monitored and reviewed at least on a yearly basis.

The Bank established the following corporate bodies responsible for approving credit limits per individual borrowers:

- Management Board reviews and approves credit applications up to USD 5.0 million and, in case of loan restructuring, up to USD 6.25 million;
- Supervisory Board reviews and approves credit applications above USD 5.0 million and, in case of loan restructuring, above USD 6.25 million;
- Credit Committee reviews and approves credit applications up to UAH 90 million, Small Credit Committee - up to UAH 25 million, and Credit Restructuring Committee - up to USD 5 million. Credit Committee and Small Credit Committee generally meet two times per week. Credit Restructuring Committee generally meet once a week;
- separately granted the authority to make new credit decisions in two hands up to UAH 15.0 million; as well as the authority to make new credit decisions in one hand - to the directors of individual departments of the bank with a maximum limit of up to UAH 2.0 million, to make decisions on carrying out credit operations as part of the restructuring of credit debt to the director of the executive direction of managing non-performing assets up to UAH 3.0 million.

Loan applications prepared by account managers are forwarded to relevant department that performs credit analysis and makes a decision or passes them on to the relevant credit committee for approval of credit limit within the scope of authority. Exposure to credit risk is also managed by obtaining collateral and corporate and personal guarantees.

When considering new loan offers, the Bank applies tools for reducing and distributing credit risk, in particular loan insurance and portfolio guarantees, under the terms of contracts concluded by the Bank with international financial organizations and/or government agencies.

During the period of martial law, the Bank introduced more stringent requirements for analyzing the business activities of clients and assessing their solvency. At the same time, a selective approach is applied to borrowers, which provides for taking into account the place of business activity of the client and the potential threat of military operations spreading to the territory where the client is registered and conducts business activities. The Bank does not cooperate with legal entities and individuals from the sanctions lists, as well as whose activities are related to or depend on persons registered or operating in the Russian Federation and / or the Republic of Belarus.

During the period of martial law, the Bank has temporarily restricted two-person credit decisions on new credit operations.

In order to limit credit risks, the group reviews new loan proposals for issuing new loans to individuals in certain justified cases and makes credit decisions on them not lower than the Bank's Credit Committee, except for:

- offers to set a credit limit on credit cards under the Preapproved scheme (with an automatically calculated limit);
- offers for debt restructuring or settlement.

At the same time, the Bank understands the financial difficulties of borrowers caused by military aggression of the Russian Federation and the Republic of Belarus, interruption of supply chains, collapse of existing sales markets, interruption of production lines, loss of collateral. The Bank has developed standardized programs and applies simplified approaches to debt restructuring, taking into account the requirements of the NBU.

The basis of the analysis and assessment of the creditworthiness of clients - legal entities is the determination and establishment of an internal rating, which is carried out to determine the probability of default by the client and recognition of default status within 1 (one) year. Determining and establishing the internal rating of clients is not only a tool for reviewing individual loan proposals and supporting the credit decision-making process, but also a basis for providing a more detailed analysis of the quality of the Bank's loan portfolio.

The Bank's rating scale includes 24 rating categories, indicated in capital letters (from A1 to H3), depending on the risk of default by the client, and the probability of default for each rating category (in%).

The Credit Risk Department monitors the implementation of rating models, its timely review and updating.

The Bank reviews ageing of outstanding loans and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Notes 6,7,8,13.

The Bank organises an effective process of managing distressed assets in compliance with the following principles:

- economic feasibility - the Bank's measures for managing distressed assets are economically and, if possible, statistically sound, and the Bank's calculations based on its own experience indicate that their implementation will ensure that the Bank receives economic benefits higher than the costs incurred during management distressed assets;
- priority - the Bank, when deciding on the option of debt settlement of the debtor / counterparty, measures aimed at the sale of recovered property, gives preference to the option / measures that provide the highest net present value of expected cash flows from the asset;
- timeliness - identification of assets with signs of potential problems at an early stage and taking timely and adequate measures aimed at reducing the amount of losses of the Bank from distressed assets;
- structure - a clear division of functions, responsibilities and powers in the management of distressed assets between the structural units involved and employees of the Bank, establishing a proper relationship between them, determining those responsible for proper interaction between the Bank's divisions at all organizational levels models of three lines of protection;
- adequacy - compliance of the process of problem assets management organized by the Bank with the level, volume, structure of problem assets in the Bank, dynamics of their changes, ensuring priority of the Bank's financial, time and human resources on assets with the highest value / exposure and risk of credit risk;
- comprehensiveness and complexity - the process of problem assets management is a complex system of interconnected processes that cover the full life cycle of PA and integrated with the corporate governance system and risk management system of the Bank;
- efficiency - ensuring a reduction in the level (as a percentage of the corresponding amount of assets) and the amount of problem assets (in absolute terms) with the achievement of optimal balance between time and debt repayment on such assets / proceeds from sale / assignment of claims on such assets to the Distressed Assets Management Strategy;
- monitoring - constant control over the achievement of goals and objectives set by the Distressed Assets Management Strategy and the Operational Plan for Implementation of the Distressed Assets Management Strategy, efficiency of actions of the Bank's divisions and employees, efficiency of the Bank's debt settlement and sale of foreclosed assets.

The Bank organises the process of problem assets management, which covers all organizational levels of the Bank, defines a clear division of functions, responsibilities and powers among all its entities, as well as their responsibilities in accordance with such distribution, ensures the order of their interaction and reporting.

The Bank's collective management bodies are informed of the monthly report on the analysis of the quality of the loan portfolio with a detailed analysis of the level of credit risk in the loan portfolio as a whole and in the areas of lending.

In addition, the Bank adheres to a system of internal concentration limits, which consists of targeted long-term strategies of the Bank in terms of the structure of individual segments of the loan portfolio and concentration limits set for individual sectors of the economy..

In order to prevent exceeding the concentration limits, these limits are subject to monitoring (control). The concentration limits are monitored monthly and quarterly by the Credit Risk Department. The results of the monitoring are subject to presentation as part of the management risk reporting to the Management Board of the Bank and the Supervisory Board.

In accordance with the requirements of IFRS 9, the Bank applies a model of expected losses, which provides for the timely reflection of the deterioration or improvement of the credit quality of financial instruments, taking into account available information and forecasts for the future. The amount of expected impairment recognised through the formation of an allowance for impairment depends on the amount of impairment (credit quality deterioration) from the date of initial recognition of the financial instrument.

The process of estimating the amount of expected losses under IFRS 9 consists of the following steps

1) analysis of the level of credit risk for the presence of a significant increase in credit risk or the occurrence of a default event from the date of initial recognition and attribution to the appropriate stage of impairment;

2) calculation of the amount of expected credit losses (estimated allowance for impairment).

In order to assess the amount of expected losses the Bank uses 2 approaches:

1) assessment of the amount of expected losses on an individual basis - for individually significant active banking operations (in the amount of UAH 2,000 thousand or the equivalent in foreign currency according to the NBU exchange rate at the reporting date), for which default was recognised;

2) assessment of the amount of expected losses on a group basis - for individually insignificant active banking operations and individually significant active operations for which the fact of default is not detected.

For the purposes of assessing expected credit losses, financial instruments, in accordance with the requirements of IFRS 9, are classified into one of three stages of impairment, based on how significantly the level of credit risk for the financial instrument has changed as of the reporting date compared to the date of its initial recognition.

In order to take into account the negative impact of the consequences of the military aggression of the Russian Federation against Ukraine, in particular, increased risks in the regions close to the temporarily occupied regions, areas of military (combat) operations, which could potentially have a negative impact on the ability of customers to continue servicing their debt, appropriate approaches were applied to adequately assess the amount of the allowance for loan losses, taking into account the regional distribution of territories adopted by the Bank.

The amount of expected losses (calculation of the estimated reserve) is estimated on a monthly basis, as of the first day of each month following the reporting month, as well as on the date of termination of recognition..

The levels of parameters of individual and group assessment of depreciation PD, LGD, CCF, are evaluated at least once a year, and in case of significant changes in economic conditions, the level of defaults and other crisis phenomena in the economy as a whole and in areas of economic activity, changes in the Bank's credit policy or regulatory documents on credit risk management of the Bank, the parameters are evaluated as of the date of assessment of impairment of credit operations.

Credit risk of off-balance sheet financial instruments is defined as the possibility of losses due to nonperformance of contractual obligations by the other party to the financial instrument. The Bank applies the same credit policy to contingent liabilities as it does to balance sheet financial instruments: approval procedures, risk control, and monitoring procedures are established.

To prevent critical losses due to credit risk, the Bank constantly monitors compliance with the regulatory values of credit risk established by the NBU.

As at December 31, 2023, the maximum amount of credit risk per counterparty (N7), which is defined as the ratio of the amount of all claims of the bank to the counterparty or group of related counterparties and all financial obligations provided by the bank in relation to the counterparty or group of related counterparties to the regulatory capital of the bank, was 10,57%, with a regulatory value of no more than 20% (the value of the standard as of December 31, 2022 was 15,67%).

As at December 31, 2023, the large credit risk ratio (N8), which is defined as the ratio of the sum of all large credit risks in relation to counterparties, groups of related counterparties, all persons associated with the bank to the regulatory capital of the bank, was 21%, with a standard value of no more than 800% (the standard value as of December 31,2022 was 56,59%).

***Market risk*.** The Bank is exposed to market risks arising from open positions in: (a) currency, (b) interest rate and (c) equity instruments, all of which are largely dependent on general and specific market developments. Supervisory Board of the Bank and Management Board of the Bank set acceptable risk limits and monitor adherence to the limits on a daily basis. However, this approach does not prevent losses outside the limits in the event of significant market developments.

Currency risk. Management sets currency risk limits and overall acceptable risk exposure for overnight and intra-day positions, with periodical control performed. The Bank is exposed to currency risks arising from open foreign currency positions and bank metals. These positions are calculated as the differences between assets and liabilities in the same currency as at the reporting date. The Bank evaluates and monitors levels of long and short foreign currency open positions using hryvnia as a base currency. Open position limits are set at the level required by the NBU and calculated as open currency position of regulatory capital of the Bank. Compliance with these limits is monitored on a daily basis by the Department of market risk and liquidity risk. The Department of market risk and liquidity risk submits weekly reports to Asset, Liability and Tariff Management Committee (ALTCO) on a weekly basis.

The Bank's currency risk exposure as at the reporting date is presented as follows:

In thousands of hryvnias	**Monetary financial assets**	**Monetary financial liabilities**	**Derivatives**	**Net position**
US Dollars	12 072 288	11 712 986	(165 813)	193 489
EUR	8 001 460	8 269 793	166 721	(101 612)
British pounds	88 963	88 536	-	427
Other	655 884	654 295	9 733	11 322

The Bank's currency risk exposure as of December 31, 2022 is presented as follows:

In thousands of hryvnias	**Monetary financial assets**	**Monetary financial liabilities**	**Derivatives**	**Net position**
US Dollars	10 670 416	10 252 281	(170 071)	248 064
EUR	5 252 842	5 423 556	176 058	5 344
British pounds	80 223	77 913	(2 200)	110
Other	418 637	415 181	(3 835)	(379)

The following table presents sensitivity analysis of profit or loss and equity to reasonably possible changes in exchange rates as at the reporting date applied to Bank's functional currency, with all other variables remaining constant:

In thousands of hryvnias	**At 31 December 2023** Impact on profit or loss	**At 31 December 2023** Impact on equity	**At 31 December 2022** Impact on profit or loss	**At 31 December 2022** Impact on equity
US dollar strengthening by 10% (2022: strengthening by 10%)	15 866	19 349	20 341	24 806
US dollar weakening by 10% (2022: weakening by 10%)	(15 866)	(19 349)	(20 341)	(24 806)
Euro strengthening by 10% (2022: strengthening by 10%)	(8 332)	(10 161)	438	534
Euro weakening by 10% (2022: weakening by 10%)	8 332	10 161	(438)	(534)
Other currencies strengthening by 10% (2022: strengthening by 10%)	963	1 175	(22)	(27)
Other currencies weakening by 10% (2022: weakening by 10%)	(963)	(1 175)	22	27

Interest rate risk. The Bank is exposed to interest rate risk arising from the effects of fluctuations in the prevailing market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, however it may decrease or cause losses in case of unexpected fluctuations.

The vulnerability of the Bank's financial result to changes in interest rates is an indicator of the sensitivity of assets and liabilities to changes in interest rates in the long term. Sensitivity factors include assumptions about maturity and timing of interest rate changes and product updates. The table below shows the potential impact on the Bank's profit in the 12 m horizon, calculated using the NII method, in the event of an increase/decrease in interest rates on financial instruments denominated in major currencies:

		At 31 December 2023		**At 31 December 2022**	
	Type of financial instrument rate	**Rate change (b. p.)**	**Impact on profit or loss (thousands of hryvnias)**	**Rate change (b. p.)**	**Impact on profit or loss (thousands of hryvnias)**
UAH	- variable rate	+200/-200	+137 345 / -137 211	+200/-200	+139 635 / -139 635
	- constant rate	+200/-200	+105 143 / -106 020	+200/-200	-70 672 / +70 672
USD	- variable rate	+200/-200	+1 634 / -1 634	+200/-200	+11 159 / -11 159
	- constant rate	+200/-200	+57 977 / -83 264	+200/-200	+72 824 / -72 824
EUR	- variable rate	+200/-200	+3 829 / -3 826	+200/-200	+7 742 / -7 742
	- constant rate	+200/-200	+132 660 / -149 703	+200/-200	+62 890 / -62 890

The Bank monitors interest rates on financial instruments. The table below summarises effective interest rates on interest bearing financial instruments as at the relevant reporting date:

	2023				**2022**			
% per annum	**UAH**	**US Dollars**	**EUR**	**Other**	**UAH**	**US Dollars**	**EUR**	**Other**
Assets								
Cash and funds in the National Bank of Ukraine								
- deposit certificates issued by the NBU	18%	-	-	-	23%	-	-	-
Due from other banks								
- guarantee deposits	-	-	-	-	-	-	-	-
- interest bearing correspondent accounts with other banks	0%	3%	4%	0%	0%	3%	2%	0%
- term funds placed on the interbank market	-	5%	0%	-	-	-	-	-
Loans and advances to customers								
- at fixed rate	22%	6%	5%	8%	20%	5%	5%	0%
- at variable rate	22%	5%	7%	-	16%	7%	7%	-
Securities at fair value through other comprehensive income	18%	-	-	-	13%	4%	-	-
Securities at amortised cost	-	5%	3%	-	-	2%	1%	-
Liabilities								
Due to other banks								
- at fixed rate	0%	0%	0%	0%	0%	0%	0%	0%
- at variable rate	-	-	-	-	-	-	-	-
Due to other financial institutions								
- at fixed rate	-	-	-	-	-	-	-	-
- at variable rate	15%	-	-	-	10%	-	-	-
Customer accounts								
- current and settlement accounts	6%	0%	0%	0%	4%	0%	0%	0%
- term deposits	13%	1%	1%	-	13%	0%	0%	-

"-" in the table above means that the Bank has no assets or liabilities denominated in the corresponding currency. Information presented in the table relates to fixed rates, unless stated otherwise.

Other price risk. The Bank is exposed to early repayment risk due to providing fixed rate loans, including mortgages, which allow a borrower to early repay its loan. The Bank's current year profit and equity as at the reporting date would not be significantly influenced by changes in early repayment rates, since such loans are carried at amortised cost, and loan amount at early repayment is equal or close to amortised cost of loans and advances to customers.

Geographical risk concentration. Geographical analysis of Bank's assets and liabilities as at 31 December 2023 is presented as follows:

In thousands of hryvnias	**Ukraine**	**OECD**	**Non-OECD**	**Total**
Assets				
Cash and funds in the National Bank of Ukraine	15 847 455	-	-	**15 847 455**
Due from other banks	158 314	3 772 618	-	**3 930 932**
Loans and advances to customers	12 467 293	144	657	**12 468 094**
Securities	8 065 477	13 873 969	-	**21 939 446**
Investments in subsidiaries	35 000	-	-	**35 000**
Other financial assets	27 823	10 629	4	**38 456**
Total financial assets	**36 601 362**	**17 657 360**	**661**	**54 259 383**
Non-financial assets	**1 594 682**	**32 007**	**-**	**1 626 689**
Total assets	**38 196 044**	**17 689 367**	**661**	**55 886 072**
Liabilities				
Due to other banks	1 737 870	7 979	-	**1 745 849**
Customer accounts	45 753 497	595 604	115 211	**46 464 312**
Due to other financial institutions	100 752	-	-	**100 752**
Other financial liabilities	350 417	51 010	6	**401 433**
Total financial liabilities	**47 942 536**	**654 593**	**115 217**	**48 712 346**
Non-financial liabilities	**1 304 748**	**293**	**5**	**1 305 046**
Total liabilities	**49 247 284**	**654 886**	**115 222**	**50 017 392**
Net position	**(11 051 240)**	**17 034 481**	**(114 561)**	**5 868 680**

Assets and liabilities have been classified based on counterparty's resident country. Cash on hand, property, leasehold improvements, and equipment have been classified based on the country of their physical presence.

Liabilities due to other banks, concentrated in OECD countries, include UAH 4 141 thousand of liabilities due to the parent bank (2022: UAH 3 020 thousand) (Note 36).

Geographical analysis of Bank's assets and liabilities as at 31 December 2022 is presented as follows:

In thousands of hryvnias	**Ukraine**	**OECD**	**Non-OECD**	**Total**
Assets				
Cash and funds in the National Bank of Ukraine	10 645 808	-	-	**10 645 808**
Due from other banks	152 478	5 160 958	-	**5 313 436**
Loans and advances to customers	12 504 553	62	987	**12 505 602**
Securities	3 337 982	5 666 192	-	**9 004 174**
Investments in subsidiaries	10 000	-	-	**10 000**
Other financial assets	240 194	3 937	28	**244 159**
Total financial assets	**26 891 015**	**10 831 149**	**1 015**	**37 723 179**
Non-financial assets	**1 244 585**	**2 743**	**-**	**1 247 328**
Total assets	**28 135 600**	**10 833 892**	**1 015**	**38 970 507**
Liabilities				
Due to other banks	964 680	6 871	-	**971 551**
Customer accounts	32 180 420	716 587	115 509	**33 012 516**
Due to other financial institutions	102 303	-	-	**102 303**
Other financial liabilities	610 597	46 115	7	**656 719**
Total financial liabilities	**33 858 000**	**769 573**	**115 516**	**34 743 089**
Non-financial liabilities	**189 434**	**41**	**6**	**189 481**
Total liabilities	**34 047 434**	**769 614**	**115 522**	**34 932 570**
Net position	**(5 911 834)**	**10 064 278**	**(114 507)**	**4 037 937**

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is managed by Asset, Liability and Tariff Management Committee (ALTCO).

The Bank seeks to maintain a stable funding base primarily consisting of amounts due to banks, corporate and retail customer deposits, and debt securities. The Bank invests the funds in portfolios of liquid assets in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Bank requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring compliance of balance sheet liquidity ratios with regulatory requirements.

The Bank calculates liquidity ratios on a daily basis in accordance with the NBU requirements. These ratios include:

- Liquidity Coverage Ratio (LCR) in all currencies. As at 31 December 2023, LCR in all currencies was 257%, with the required ratio being not less than 100% (31 December 2022: 209% with the required ratio being not less than 100%).
- Liquidity Coverage Ratio (LCR) in foreign currencies. As at 31 December 2023, LCR in foreign currencies was 375% with the required ratio being not less than 100% (31 December 2022: 217% at the minimum value 100%).
- Net stable financing ratio NSFR. As at 31 December 2023 this indicator was 250%, with the required ratio being not less than 100% (31 December 2022: this indicator was 167% with the required ratio being not less than 90%).

The Treasury Department receives information on liquidity profile of financial assets and liabilities. The Treasury Department ensures availability of adequate portfolio of short-term liquid assets, largely made up of liquid securities, deposits with banks, and other inter-bank facilities, to maintain sufficient liquidity.

The tables below show Bank's liabilities by remaining contractual maturity. The amounts disclosed represent contractual undiscounted cash flows, including total credit related commitments and commitments to extend financial guarantees. Such undiscounted cash flows differ from the amounts reported in the separate statement of financial position, since the amounts in the separate statement of financial position are based on discounted cash flows. If the amount payable is not fixed, the amount disclosed is determined by reference to terms and conditions as at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate as at the reporting date.

The analysis of undiscounted cash flows for financial liabilities as at 31 December 2023 is presented as follows:

In thousands of hryvnias	**Demand and less than 1 month**	**1-12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities					
Due to other banks	1 745 849	-	-	-	**1 745 849**
Customer accounts	39 099 517	7 471 306	119 694	3 980	**46 694 497**
Due to other financial institutions	2 198	17 492	107 987	-	**127 677**
Financial lease liabilities	209	18 602	88 768	-	**107 579**
Other financial liabilities	293 854	-	-	-	**293 854**
Credit related commitments	3 547 433	-	-	-	**3 547 433**
Spot and forward contracts					
- inflows	265 698	-	-	-	**265 698**
- outflows	(265 268)	-	-	-	**(265 268)**
Total potential future payments for financial liabilities	**44 689 490**	**7 507 400**	**316 449**	**3 980**	**52 517 319**

Liquidity requirements to support calls under guarantees and letters of credit are considerably less than the amount of relevant liabilities and commitments disclosed in the above maturity analysis, as the Bank does not generally expect the third party to draw funds under such agreements.

The analysis of undiscounted cash flows for financial liabilities as at 31 December 2022 is presented as follows:

In thousands of hryvnias	**Demand and less than 1 month**	**1-12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities					
Due to other banks	971 551	-	-	-	**971 551**
Customer accounts	28 256 886	4 807 454	88 482	9 708	**33 162 530**
Due to other financial institutions	3 229	106 919	-	-	**110 148**
Financial lease liabilities	852	9 849	111 358	1 491	**123 550**
Other financial liabilities	533 169	-	-	-	**533 169**
Credit related commitments	2 534 385	-	-	-	**2 534 385**
Spot and forward contracts					
- inflows	193 011	-	-	-	**193 011**
- outflows	(193 058)	-	-	-	**(193 058)**
Total potential future payments for financial liabilities	**32 300 025**	**4 924 222**	**199 840**	**11 199**	**37 435 286**

Customer accounts are classified based on remaining contractual maturities in the above analysis. However, in accordance with the Civil Code of Ukraine, for deposit agreements concluded prior to 6 June 2015, individuals have the right to withdraw their deposits prior to maturity, with their right to accrued interest forfeited. Some corporate deposit contracts envisage a possibility of early withdrawn. Certain deposit contracts with individuals concluded after 6 June 2015 also envisage early withdrawals. However, the management believes, taking into account experience, that most counterparties will not demand funds ahead of schedule.

As at 31 December 2023 and 2022 undiscounted cash flows for deposits with early withdrawal option in distribution by maturity buckets are as follows:

In thousands of hryvnias	**Demand and less than 1 month**	**1-12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
At 31 December 2023	136 194	623 546	23 489	4 018	**787 247**
At 31 December 2022	203 413	1 061 456	20 226	1 708	**1 286 803**

The Bank monitors the following contractual maturities as at 31 December 2023 and 31 December 2022:

In thousands of hryvnias	**Demand and less than 1 month**	**1-12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
At 31 December 2023					
Financial assets	18 089 312	21 761 461	13 313 023	1 060 587	**54 224 383**
Financial liabilities	(41 078 255)	(7 324 305)	(305 847)	(3 939)	**(48 712 346)**
Net liquidity gap based on expected maturities	**(22 988 943)**	**14 437 156**	**13 007 176**	**1 056 648**	**5 512 037**
Spot and forward contracts					
- inflows	265 698	-	-	-	**265 698**
- outflows	(265 268)	-	-	-	**(265 268)**
At 31 December 2022					
Financial assets	16 941 585	13 456 260	5 492 533	1 822 801	**37 713 179**
Financial liabilities	(29 731 688)	(4 801 584)	(198 689)	(11 128)	**(34 743 089)**
Net liquidity gap based on expected maturities	**(12 790 103)**	**8 654 676**	**5 293 844**	**1 811 673**	**2 970 090**
Spot and forward contracts					
- inflows	193 011	-	-	-	**193 011**
- outflows	(193 058)	-	-	-	**(193 058)**

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is critical to management. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its response to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by a number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of financing for the Bank.

The Bank has open credit line with its Parent company PKO Bank Polski SA for USD 30 and 47 million. Bank may regularly use this credit line for the replenishment of working capital and maintenance of the operational liquidity.

32. CAPITAL MANAGEMENT

The Bank's objectives when managing capital are (i) to comply with the capital requirements set by the by the National Bank of Ukraine, (ii) to safeguard the Bank's ability to continue as a going concern. In the opinion of management, the total amount of capital managed by the Bank is equal to the amount of capital represented in the separate statement of financial position. The amount of capital managed by the Bank as at 31 December 2023 is UAH 5 868 680 thousand (as at 31 December 2022 - UAH 4 037 937 thousand). Compliance with capital adequacy of the Bank, the National Bank of Ukraine carried out each decade. Other objectives of capital management are evaluated annually.

Ukrainian legislation requires that banks form a reserve to cover unforeseen losses on all asset items and offbalance sheet liabilities. The reserve must represent 25% of bank's regulatory capital but not less than 25% of bank's registered share capital. The reserve is formed through charges from net profit for the reporting year retained by the Bank after taxes and retained earnings for previous years.

Charges to the reserve must be no less than 5% of bank's profit until the reserve reaches 25% of bank's regulatory capital.

Should a bank's operations pose a threat to interests of depositors and other bank's creditors, the National Bank of Ukraine has the right to require increase in the reserve and annual charges thereto. If, as a result of bank's operations, regulatory capital is reduced to an amount lower than share capital, annual charges to the reserve must be 10% of bank's net profit until the reserve reaches 35% of bank's share capital.

The reserve may only be used to cover the bank's losses for the reporting year in accordance with the decision of the bank's board (Supervisory board) and in accordance with the procedure established by the general meeting of its shareholders. Furthermore, effective Ukrainian legislation envisages no restrictions on distribution of the reserve among bank's shareholders upon bank's liquidation after satisfaction of all creditors' claims.

As at 31 December 2023 the Bank's reserve fund amounts to UAH 1 627 010 thousand (31 December 2022: UAH 1 476 852 thousand)

Under the current capital requirements set by the National Bank of Ukraine, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. The table below presents regulatory capital based on the Bank's reports prepared under the NBU requirements, which comprises the following components:

In thousands of hryvnias	**2023**	**2022**
Primary capital	3 548 304	3 491 033
Additional capital	1 880 290	245 952
Diversion	(35 000)	(10 010)
Total regulatory capital	**5 393 594**	**3 726 975**

As at 31 December 2023 and 31 December 2022, the Bank complied with the requirements regarding the minimum regulatory capital adequacy ratio (H2), which should be at least 10%. The value of the H2 normative as at 31 December 2023 is 32% (31 December 2022: 22%).

During 2023 and 2022 the Bank adhered to all economic standards and open currency position limits set by the NBU.

The NBU performs stress testing on a regular basis to check compliance with the regulatory requirements under certain stress test assumptions. If results of the stress test show that required capital adequacy could fall below the required level in the future, the NBU might require an increase of regulatory capital above the minimum regulatory requirements.

33. CONTINGENCIES AND COMMITMENTS

***Legal proceedings*.** From time to time and in the normal course of business, claims against the Bank may be received. On the basis of its own estimates and both internal and external professional advice management is of the opinion that no material losses will be incurred in respect of claims. The total amount of provision for litigation is UAH 12 108 thousand as at 31 December 2023 (31 December 2022: UAH 2 488 thousand)

Changes in provisions for potential liabilities are:

In thousands of hryvnias	Note	2023	2022
Commitment provision at 1 January		**2 488**	**12 094**
Remeasurement of loss allowance	25	9 226	(8 193)
Amounts used during the year		-	(2 701)
Effect of exchange rate of foreign currency		394	1 288
Commitment provision at 31 December		**12 108**	**2 488**

Tax legislation. The Ukrainian tax system can be characterized by numerous taxes and frequently changing legislation which may be applied retroactively, open to wide interpretation and in some cases are conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and between the Ministry of Finance and other state authorities are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however under certain circumstances a tax year may remain open longer.

These facts create tax risks substantially more significant than typically found in countries with more developed systems. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these separate financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Management believes that it has complied with all existing tax legislation. However, there can be no assurance that the tax authorities will not have a different interpretation of the Bank's compliance with existing legislation and assess fines and penalties. No provision for potential tax assessment has been made in these separate financial statements.

Capital expenditure commitments. At 31 December 2023, the Bank had contractual capital expenditure commitments in respect of property, plant and equipment totalling UAH 12 070 thousand (31 December 2022: UAH 2 792 thousand) and in respect of intangible assets in the amount of UAH 98 557 thousand (31 December 2022: UAH 3 986 thousand).

The Bank has already allocated the necessary resources in respect of these commitments. The Bank's management believes that future net income and funding will be sufficient to cover these and any similar commitments.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to customers as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

As at 31 December 2023, all commitments to extend credits are revocable and amount to UAH 2 963 203 thousand (31 December 2022: UAH 2 328 205 thousand)

Credit related commitments were as follows:

	At 31 December 2023			
In thousands of hryvnias	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financial guarantee contracts and letters of credit	**488 079**	**96 150**	**-**	**584 229**
Loss allowances for expected credit losses	1 835	-	-	**1 835**
Carrying value (provision)	1 835	**-**	**-**	**1 835**

	At 31 December 2022			
In thousands of hryvnias	**Stage 1**	**Stage 1**	**Stage 1**	**Stage 1**
Financial guarantee contracts and letters of credit	**206 180**	**-**	**-**	**206 180**
Loss allowances for expected credit losses	240	-	-	**240**
Carrying value (provision)	240	**-**	**-**	**240**

As at 31 December 2023, commitments under guarantees and letters of credit were secured with deposits in the amount of UAH 116 897 thousand (as at 31 December 2022 - UAH 46 897 thousand) (Note 16). The total outstanding contractual commitments to extend credit, import letters of credit, and guarantees do not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Changes in expected credit losses estimates under credit-related loan commitments are presented as follows:

In thousands of hryvnias	**Note**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2023		**9 749**	**2 243**	**19 285**	**31 277**
Transfer to Stage 1		161	(142)	(19)	**-**
Transfer to Stage 2		(248)	579	(331)	-
Transfer to Stage 3		(5)	(172)	177	-
Net remeasurement of loss allowance	25	(15 284)	(9 762)	(589)	**(25 635)**
New loan commitments and financial guarantees issued	25	20 187	9 062	-	**29 249**
Loan commitments and financial guarantee contracts that have been derecognised	25	(1 327)	(289)	(11 801)	**(13 417)**
Foreign exchange and other movements		192	(73)	65	**184**
Balance at 31 December 2023		**13 425**	**1 446**	**6 787**	**21 658**

In thousands of hryvnias	**Note**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2022		**17 304**	**959**	**3 608**	**21 871**
Transfer to Stage 1		388	(380)	(8)	**-**
Transfer to Stage 2		(1 596)	1 652	(56)	**-**
Transfer to Stage 3		(63)	(924)	987	**-**
Net remeasurement of loss allowance	25	(14 738)	(4 166)	19 182	**278**
New loan commitments and financial guarantees issued	25	10 053	6 593	47	**16 693**
Loan commitments and financial guarantee contracts that have been derecognised	25	(2 517)	(1 728)	(4 396)	**(8 641)**
Foreign exchange and other movements		918	237	(79)	**1 076**
Balance at 31 December 2022		**9 749**	**2 243**	**19 285**	**31 277**

34. FAIR VALUE DISCLOSURES

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(a) Recurring fair value measurements

Recurring fair value measurements are those that IFRS require or permit in the separate statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follow:

	2023				**2022**			
In thousands of hryvnias	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Assets at fair value								
Financial assets								
Securities at fair value through other comprehensive income								
- Ukrainian government bonds	-	8 065 477	-	**8 065 477**	-	3 337 972	-	**3 337 972**
- Corporate shares	-	-	-	**-**	-	-	10	**10**
Non-financial assets								
- Premises	-	-	282 190	**282 190**	-	-	300 201	**300 201**
- Investment properties	-	-	8 863	**8 863**	-	-	8 138	**8 138**
Total assets recurring fair value measurements	**-**	**8 065 477**	**291 053**	**8 356 530**	**-**	**3 337 972**	**308 349**	**3 646 321**

The table below presents the valuation method and the input data that were used in the fair value measurement for Stage 2 valuations as at 31 December 2023:

In thousands of hryvnias	**Fair value**	**Valuation approach**	**Input data used**
Assets at fair value			
Financial assets			
Securities at fair value through other comprehensive income			
- Ukrainian government bonds	8 065 477	Market approach	Bond prices market quotes for similar bonds
Total estimated multiple fair value of Stage 2	**8 065 477**		

b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

	2023				
In thousands of hryvnias	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Carrying value**
Assets					
Cash and funds in the National Bank of Ukraine	**15 847 455**	**-**	**-**	**15 847 455**	**15 847 455**
Due from other banks	**-**	**3 930 932**	**-**	**3 930 932**	**3 930 932**
Loans and advances to customers	**-**	**-**	**12 711 910**	**12 711 910**	**12 468 094**
- Corporate loans	-	-	9 680 012	9 680 012	9 674 170
- Loans to individuals - consumer loans	-	-	607 246	607 246	454 736
- Loans to individuals - mortgage loans	-	-	1 496 926	1 496 926	1 476 338
- Loans to individuals - car loans	-	-	927 726	927 726	862 850
Securities at amortised cost	**13 894 853**	**-**	**-**	**13 894 853**	**13 873 969**
Other financial assets	**-**	**-**	**38 456**	**38 456**	**38 456**
Total	**29 742 308**	**3 930 932**	**12 750 366**	**46 423 606**	**46 158 906**

	2022				
In thousands of hryvnias	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Carrying value**
Assets					
Cash and funds in the National Bank of Ukraine	**10 645 808**	**-**	**-**	**10 645 808**	**10 645 808**
Due from other banks	**-**	**5 313 436**	**-**	**5 313 436**	**5 313 436**
Loans and advances to customers	**-**	**-**	**12 673 787**	**12 673 787**	**12 505 602**
- Corporate loans	-	-	7 527 857	7 527 857	7 471 930
- Loans to individuals - consumer loans	-	-	910 557	910 557	826 061
- Loans to individuals - mortgage loans	-	-	2 225 210	2 225 210	2 271 478
- Loans to individuals - car loans	-	-	2 010 163	2 010 163	1 936 133
Securities at amortised cost	**5 627 496**	**-**	**-**	**5 627 496**	**5 666 192**
Other financial assets	**-**	**-**	**244 159**	**244 159**	**244 159**
Total	**10 645 808**	**5 313 436**	**12 917 946**	**34 504 686**	**34 375 197**

Fair values analysed by level in the fair value hierarchy and carrying amount of liabilities not measured at fair value are as follows:

	2023				
In thousands of hryvnias	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Carrying value**
Liabilities					
Due to other banks	**-**	**1 745 849**	**-**	**1 745 849**	**1 745 849**
Customer accounts	**-**	**-**	**46 439 499**	**46 439 499**	**46 464 312**
- Current/settlement accounts of legal entities	-	-	24 063 060	24 063 060	24 063 060
- Term deposits of legal entities	-	-	6 537 959	6 537 959	6 549 025
- Current/demand accounts of individuals	-	-	9 606 564	9 606 564	9 606 564
- Term deposits of individuals	-	-	6 231 916	6 231 916	6 245 663
Due to other financial institutions	-	**-**	**97 980**	**97 980**	**100 752**
Other financial liabilities	**-**	**-**	**401 433**	**401 433**	**401 433**
Total	**-**	**1 745 849**	**46 938 912**	**48 684 761**	**48 712 346**

	2022				
In thousands of hryvnias	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Carrying value**
Liabilities					
Due to other banks	**-**	**971 551**	**-**	**971 551**	**971 551**
Customer accounts	-	-	**32 983 252**	**32 983 252**	**33 012 516**
- Current/settlement accounts of legal entities	**-**	**-**	17 618 992	17 618 992	17 618 992
- Term deposits of legal entities	-	-	3 205 842	3 205 842	3 212 710
- Current/demand accounts of individuals	-	-	8 074 566	8 074 566	8 074 566
- Term deposits of individuals	**-**	**-**	4 083 852	4 083 852	4 106 248
Due to other financial institutions	**-**	**-**	**98 985**	**98 985**	**102 303**
Other financial liabilities	**-**	**-**	**656** 719	**656 719**	**656 719**
Total	**-**	**971 551**	**33 738 956**	**34 710 507**	**34 743 089**

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current weighted average interest rate for existing instruments with similar remaining maturity.

For assets, the Bank used assumptions about counterparty's incremental borrowing rate and prepayment rates. Liabilities were discounted at the Bank's own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the amount could be required to be paid by the Bank.

The table below presents the potential impact on the Bank's profit on FVOCI-valued securities:

	At 31 December 2023		**At 31 December 2022**	
	Rate change (b. p.)	**Impact on profit or loss (thousands of hryvnias)**	**Rate change (b. p.)**	**Impact on profit or loss (thousands of hryvnias)**
UAH	+100/-100	-62 369 / +63 497	+100/-100	-13 900 / +14 309
USD	+100/-100	-81 825 / +83 442	+100/-100	-36 884 / +37 429
EUR	+100/-100	-16 177 / +16 386	+100/-100	-2 938 / +2 982

35. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORIES

The procedure for classifying financial instruments is described in Note 3.

The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2023:

In thousands of hryvnias	**Financial instruments measured at amortised cost**	**Financial instruments at fair value through other comprehensive income**	**Finance lease receivables**	**Total**
Assets				
Cash and funds in the National Bank of Ukraine	15 847 455	-	-	**15 847 455**
Due from other banks				
- Correspondent accounts with other banks	2 782 408	-	-	**2 782 408**
- Loans from other banks	1 130 225	-	-	**1 130 225**
- Guarantee deposits	18 299	-	-	**18 299**
Loans and advances to customers				
- Corporate loans	9 093 776	-	580 394	**9 674 170**
- Loans to individuals - car loans	853 719	-	9 131	**862 850**
- Loans to individuals - other consumer loans	454 736	-	-	**454 736**
- Loans to individuals – mortgage loans	1 476 338	-	-	**1 476 338**
Securities	13 873 969	8 065 477	-	**21 939 446**
Other financial assets	38 456	-	-	**38 456**
Total financial assets	**45 569 381**	**8 065 477**	**589 525**	**54 224 383**

The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2022:

In thousands of hryvnias	**Financial instruments measured at amortised cost**	**Financial instruments at fair value through other comprehensive income**	**Finance lease receivables**	**Total**
Assets				
Cash and funds in the National Bank of Ukraine	10 645 808	-	-	**10 645 808**
Due from other banks				
- Correspondent accounts with other banks	*3* 737 752	-	-	**3 737 752**
- Loans from other banks	1 524 886	-	-	**1 524 886**
- Guarantee deposits	50 798	-	-	**50 798**
Loans and advances to customers				
- Corporate loans	7 013 389	-	458 541	**7 471 930**
- Loans to individuals - car loans	1 920 473	-	15 660	**1 936 133**
- Loans to individuals - other consumer loans	826 061	-	-	**826 061**
- Loans to individuals – mortgage loans	2 271 478	-	-	**2 271 478**
Securities	5 666 192	3 337 982	-	**9 004 174**
Other financial assets	244 159	-	-	**244 159**
Total financial assets	**33 900 996**	**3 337 982**	**474 201**	**37 713 179**

As at 31 December 2023 and 31 December 2022, all of the Bank’s financial liabilities were carried at amortised cost. Derivatives belong to the fair value through profit or loss measurement category.

36. RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

As at 31 December 2023, the outstanding balances with related parties were as follows:

In thousands of hryvnias	**Parent company**	**Entities under common control**	**Subsidiary**	**Key management personnel**
Correspondent accounts with other banks (interest rate: 0%)	74 800	-	-	-
Loss allowances for expected credit losses	(3)	-	-	-
Gross amount of loans and advances to customers	-	-	-	53
Loss allowances for expected credit losses on loans and advances to customers	-	-	-	(4)
Investments in subsidiaries	-	-	35 000	-
Other assets	14 582	-	-	100
Correspondent accounts and overnight placements of other banks (interest rate: 0%)	4 141	-	-	-
Customer accounts (interest rates for deposits: 1.25-14%, for current accounts: 0-8%)	-	60 302	5 721	5 776
Other liabilities	42	816	-	3 441

The income and expense items on transactions with related parties for 2023 were as:

In thousands of hryvnias	**Parent company**	**Entities under common control**	**Subsidiary**	**Key management personnel**
Interest income	-	-	-	16
Interest expense	(1 906)	(1 453)	(1 127)	(160)
Other income	-	-	53	-
Loss allowances for expected credit losses	-	-	-	6
Fee and commission income	94	133	25	21
Fee and commission expense	(13 797)	-	-	(1 647)
Other expenses	-	(5 042)	-	-

As at 31 December 2023, other rights and obligations with related parties were as follows:

In thousands of hryvnias	**Parent company**	**Entities under common control**	**Subsidiary**	**Key management personnel**
Loan commitments received	2 934 378	-	-	-
Other commitments granted	265 698	-	-	157
Other rights received	265 268	-	-	-

Loan commitments received relate to the undrawn borrowing facilities received from the Parent Bank PKO Bank Polski S.A. denominated in USD.

Total amounts of loans granted to related parties and repaid by them in 2023 are presented below:

In thousands of hryvnias	**Parent company**	**Entities under common control**	**Subsidiary**	**Key management personnel**
Amounts lent to related parties during the year	-	-	-	783
Amounts repaid by related parties during the year	-	-	-	(1 147)

As at 31 December 2022, the outstanding balances with related parties were as follows:

In thousands of hryvnias	**Parent company**	**Entities under common control**	**Subsidiary**	**Key management personnel**
Correspondent accounts with other banks (interest rate: 0%)	323 745	-	-	-
Gross amount of loans and advances to customers	-	-	-	418
Loss allowances for expected credit losses	-	-	-	(9)
Investments in subsidiaries	-	-	10 000	-
Other assets	5 018	-	-	67
Correspondent accounts and overnight placements of other banks (interest rate: 0%)	3 020	-	-	-
Customer accounts (interest rates for deposits: 0.01-12%, for current accounts: 0-7%)	-	6 180	5 545	4 312
Other liabilities	38	-	-	2 436

The income and expense items on transactions with related parties for 2022 were as:

In thousands of hryvnias	**Parent company**	**Entities under common control**	**Subsidiary**	**Key management personnel**
Interest income	519	-	-	40
Interest expense	(1 711)	(1 081)	(208)	(52)
Other income	-	-	47	-
Loss allowances for expected credit losses	-	-	-	(1)
Fee and commission income	46	126	18	77
Fee and commission expense	(16 499)	-	-	(182)
Other expenses	-	(528)	-	-

As at 31 December 2022, other rights and obligations with related parties were as follows:

In thousands of hryvnias	**Parent company**	**Entities under common control**	**Subsidiary**	**Key management personnel**
Loan commitments received	2 824 081	-	-	-
Other commitments granted	193 011	-	-	81
Other rights received	193 058	-	-	-
Guarantees and collateral received	-	-	-	1 044

Loan commitments received relate to the undrawn borrowing facilities received from the Parent Bank PKO Bank Polski S.A. denominated in USD.

Total amounts of loans granted to related parties and repaid by them in 2022 are presented below:

In thousands of hryvnias	**Parent company**	**Entities under common control**	**Subsidiary**	**Key management personnel**
Amounts lent to related parties during the year	-	-	-	908
Amounts repaid by related parties during the year	-	-	-	(990)

Key management personnel amounts are presented below:

	2023	**31 December 2023**	**2022**	**31 December 2022**
In thousands of hryvnias	**Expense**	**Accrued liability**	**Expense**	**Accrued liability**
Short-term benefits:				
- Salaries	46 547	3 284	40 927	2 276
Social insurance contributions	2 237	154	2 104	160
Total	**48 784**	**3 438**	**43 031**	**2 436**

Short-term benefits fall due wholly within twelve months after the end of the period in which management rendered related services. Other long-term payments include payments that are not expected to be fully settled within twelve months of the end of the period in which management provided the relevant services.

37. SUBSEQUENT EVENTS

After 31 December 2023, there were no subsequent events requiring changes or additions to the financial statements or disclosures in the separate financial statements.

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FREE TRANSLATION FROM THE UKRAINIAN ORIGINAL

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Supervisory Board of KREDOBANK, JSC

Report on the Audit of the Separate Financial Statements

Opinion

We have conducted audit of separate financial statements of KREDOBANK (the Bank), which comprise The separate statement of financial position as at December 31, 2023, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including the summary of significant accounting policies.

In our opinion, the accompanying separate financial statements, presents fairly, in all material respects, the separate financial position of the Bank as at December 31, 2023, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and meets the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" regarding the preparation of separate financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code) and ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the separate financial statements, which discloses that on February 24, 2022, russian troops began invading Ukraine and active hostilities are currently taking place. As noted in Note 2, these events or conditions, together with other issues set out in Note 2, indicate that there is significant uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion on this issue has not been modified.

During the audit of the separate financial statements, we concluded that the use of the principle of going concern by management in the preparation of separate financial statements is appropriate. Our assessment of management's assumptions about the Bank's ability to continue to apply the going concern basis in accounting included:

- Assessment of the negative consequences of continued military aggression on the banking sector of Ukraine.
- Analysis of the scenarios of the situation identified by the Bank's management and possible actions in response to the leadership of Ukraine, the world community and the Bank's management.
- Analysis of possible changes in the basic indicators of the Bank's activities in terms of asset impairment, falling volumes and margins of banking operations.
- Analysis of regulatory capital adequacy and liquidity, ways to maintain them at a sufficient level.

We have found that forecasts of the situation and the corresponding negative consequences are very difficult to build due to the unpredictability of the actions of the Russian leadership. At the same time, management assumptions about the most likely scenarios are relevant.

Our responsibilities and the responsibilities of management for going concern are described in the relevant sections of this report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	***How the Key Audit Matter Was Considered in Our Audit***
Estimation of expected credit losses (Note 7) The estimation of expected credit losses is a key area of professional judgment of the Bank's management. Identifying of impairment and determination of amount of expected reimbursement include some assumptions and analysis of different factors, including the financial position of borrower, expected future cash flow and fair value of collaterals. The use of various assumptions may be result of various estimates of expected credit losses. Taking into account the materiality of customer credit balances and a certain level of subjectivity of judgments, we have determined estimation of expected credit losses as the key matter of the audit.	Our audit procedures included assessment of methodology used by the Bank to determine the signs of depreciation and calculating the provision for impairment, testing input data and assumption analysis. For provisions for loan impairment with detected individual signs of impairment, we have audited assumptions underlying the basis for detecting impairment and its quantitative assessment, including the analysis of financial indicators of borrowers, forecasts for future cash flows and collateral assessment. For provisions of loan impairment, calculated on collective basis, which have not been demonstrate individual signs of impairment, we analysed Bank's models and audited relevance and accuracy input data used in these models.

Other Information

Management is responsible for the other information. The other information comprises the Separate Management Report. The other information which we expected to receive after the date of this Auditor`s report is Annual Information on the Issuer of Securities.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Information on the Issuer of Securities, and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and the NSSMC.

Responsibilities of Management and Those Charges with Governance for the Separate Financial Statements

Management is responsible for preparation and fair presentation of these separate financial statements in accordance with the Law of Ukraine On Accounting and International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Preparing the separate financial statements, management is responsible for assessment Bank's ability to continue as a going concern, disclosure, if applicable, issues regarding going concern and apply going concern as a basis for accounting, except, if the management plans to liquidate the Bank or discontinue the activity or have not any other real alternatives for it.

Supervisory Board is responsible for overseeing the process of financial reporting of the Bank.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to release the auditor's report in which we express our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee than an audit conducted with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We provide the Supervisory Board with information about the planned scope and timing of the audit and significant audit results, including any significant deficiencies in internal control measures identified by us during the audit.

We also acknowledge to the Supervisory Board that we have complied with the relevant ethical requirements for independence, and inform them of any relationship and other matters that may reasonably be considered to affect our independence and, where applicable, of appropriate safeguards.

From the matters communicated with Supervisory Board, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the requirements of other laws and regulations

Law of Ukraine "On Audit of Financial Statements and Auditing Activities"

In accordance with the Law of Ukraine "On Auditing Financial Statements and Auditing Activities", auditors must provide additional information and assurances.

Basic information about the audit firm

Full name	AC «CROWE UKRAINE»
Location	Obolonska Naberezhna 33, Kyiv, 04210 Ukraine
Information on inclusion in the Register of audit firms and auditors	Registration number in the Register of Auditors and Audit Entities 3681 An auditing entity that has the right to conduct a statutory audit of financial statements An auditing entity that has the right to conduct a statutory audit of the financial statements of public interest entities
Name of the body that appointed the auditing entity to conduct the statutory audit	Supervisory Board of the Bank
Date of appointment of the audit entity	30.09.2020 (Minute of the meeting of the Supervisory Board №127/2020)
Duration of the audit task	4th year

We confirm that this independent auditor's report is consistent with the additional report to the Supervisory Board's audit committee of the Bank.

We declare that no prohibited non-audit services referred to Article 6 of the Law of Ukraine "On the Audit of Financial Statements and Audit Activities" were provided to the Bank.

The key audit partner and audit entity are independent of the Bank in conducting the audit.

We did not provide services other than statutory audit services and services disclosed in the management report or financial statements.

ISAs require the auditor to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The term "sufficient certainty" allows for some risk of significant monetary inconsistencies that may remain undetected; it is also assumed that the auditor cannot provide an absolute guarantee of the accuracy and completeness of the financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The terms of the ISAs require that the audit be planned in such a way as to ensure that errors and inconsistencies that could materially affect the financial statements are sufficiently probable. However, because the auditor will not audit all transactions performed by the entity during the year, the audit may not provide complete assurance that errors and inconsistencies, including fraud, will be identified.

The engagement partner on the audit resulting in this independent auditor's report is Oleksandr Konovchenko.

For and on behalf of AC CROWE UKRAINE

Audit Director
Registered Auditor #100594

Vitaliy HAVRYSH

Engagement partner
Registered Auditor #101572

Oleksandr KONOVCHENKO

Kyiv, Ukraine

April 1, 2024